Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
2018 Quadrennial Regulatory Review –	)	MB Docket No. 18-349
Review of the Commission's Broadcast	)	
Ownership Rules and Other Rules Adopted	)	
Pursuant to Section 202 of the	)	
Telecommunications Act of 1996	)	
	)	

JOINT COMMENTS

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JOINT COMMENTS

I. INTRODUCTION AND SUMMARY

Connoisseur Media, LLC ("Connoisseur"),[1] Townsquare Media, Inc. ("Townsquare"), Mid-West Family Broadcasting (Mid-West Family"), Midwest Communications, Inc. ("Midwest Communications"), the Frandsen family stations ("Frandsen"), Cherry Creek Media ("Cherry Creek"), Neuhoff Media ("Neuhoff"), Eagle Communications, Patrick Communications, LLC, and Legend Communications, LLC (together, "Joint Commenters") hereby submit their comments in the above-referenced proceeding.[2] In the *Notice of Proposed Rulemaking* ("*NPRM*"), the Federal Communications Commission ("Commission") seeks comment on its

[1] Connoisseur has separately filed comments on the question of radio embedded markets which may have relevance regardless of the FCC's determination on the issues discussed in these comments.

[2] Connoisseur is the licensee of approximately 30 radio stations in Connecticut, New York, Pennsylvania and Montana. Townsquare is a public company and the licensee of approximately 320 radio stations across the country. Mid-West Family is a group of independent companies with interlocking ownership holding licenses for over 40 radio stations in a number of Midwestern states. Midwest Communications is the licensee of approximately 75 stations in the Midwest and in south-central states. Members of the family of M. Kent Frandsen hold the licenses for over 20 stations in Utah, Idaho and Wyoming. Cherry Creek is the licensee of more than 50 radio stations that serve their local markets in the Rocky Mountain Region, Upper Midwest, Northwest and Southwest. Neuhoff has twenty radio stations, sixteen locally focused digital music, information, and entertainment sites, and serves over a million consumers in Illinois and Indiana. Eagle Communications is an employee-owned licensee of 28 stations serving more than 300,000 people in Kansas and Missouri. Patrick Communications is a leading brokerage and investment banking firm offering many services, including media, tower and telecom brokerage whose controlling principals are also the controlling principals of Legend Communications, which owns 23 radio stations in Wyoming.

media ownership rules, whether there have been "any changes in the marketplace" since 2016, and whether its ownership rules remain "necessary in the public interest as the result of competition."[3] The Joint Commenters herein address only the local radio ownership rules, and demonstrate that, in today's modern media marketplace, it is well past time for substantial change in those rules as they no longer operate in the public interest.

There have been radical changes in the media marketplace since 1996 when the current local radio ownership limits were adopted. Unlike in 1996, radio does not compete for advertising and audience solely with other radio stations and with the handful of traditional media outlets that then existed. Instead, there has been an explosion of media outlets in the last 20 years – providing both advertisers and audience members a wealth of alternative sources for their attention. And many of these new competitors are among the biggest companies in the American economy. The radio industry as a whole represents a fraction of the value of any of these new competitors, and radio is forced to remain further fragmented by existing ownership rules.

This plea for a change in the local radio ownership rules is not the attempt of media giants to grow larger. Instead, it is the earnest request of small, locally focused media companies to be freed from the artificial government restraints that prevent them from effectively competing with the true media giants – the national companies that, through digital media and other channels, now pervade the local media landscape. Only by obtaining scale in the local marketplace can these radio companies hope to continue to effectively compete in local markets,

[3] *2018 Quadrennial Regulatory Review – Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996*, Notice of Proposed Rulemaking, MB Docket No. 18-349, FCC 18-179 (rel. Dec. 13, 2018) ("*NPRM*").

and continue to provide the local news, information, and entertainment for which the radio industry has been known since its inception.

The Commission recognizes in the *NPRM* that the audio marketplace has continued to evolve rapidly in recent years.[4] No longer are there silos, where radio stations compete only with each other for advertising revenue and listeners. Today, the marketplace is robustly competitive with many new entrants, including internet music services owned by companies like Google, Amazon, Apple, and Facebook providing listening alternatives to consumers. Other large audio companies, which have capitalizations that dwarf those of the entire radio industry, like Sirius XM, which now owns Pandora, and Spotify, also compete for audience with the broadcaster. And the explosion of video content pulls audience away from radio – as someone watching video is very unlikely to also be listening to the radio. YouTube has become the largest source of new music in many demographics. And, with driverless cars on the horizon, the competition for audience with video outlets will only grow.

The competition for local advertising – the lifeblood of radio – has also become fierce. More than 50 percent of all local advertising dollars is now directed to digital media, with huge international media companies like Google and Facebook taking the majority of those dollars, and other huge companies, like Amazon, looking to provide more and more opportunities for local businesses to advertise.

As detailed below, local advertising is fluid, with advertising on one platform acting as a substitute for advertising on other platforms. Advertisers routinely switch back and forth between different advertising media. Therefore, any suggestions that advertisers find English-language over-the-air radio as a unique market are a relic of another era. Myriad examples of the

[4] *NPRM* ¶ 2.

fungibility of media outlets to advertisers are provided in these comments. This is truly not your father's media marketplace.

It is hard to remember that the current radio ownership rules were adopted at a time when many of these alternative media outlets did not exist. The media marketplace was quite different in 1996. Facebook did not start until 2004, and was only opened to those outside of college communities in 2006. YouTube and Pandora did not start streaming content to the public until 2005. Spotify launched in Sweden in 2006, but was not available in the U.S. for another five years. Sirius launched its service in the U.S. in 2002, preceded by XM in late 2001. Amazon first started its streaming service in 2006, and Netflix followed in 2007. In 1996, Google was just a search engine. The iPhone was not introduced until 2007, and Apple Music, which now has more U.S. paid subscribers than Spotify, was just launched in 2015. All of these services have seemingly been around forever, but in fact they are all new to the media landscape since the current radio ownership rules were adopted. Today, many of these services are among the biggest companies in the U.S. economy.

While the increased competition in the media marketplace gives consumers and advertisers more choices, traditional FM and AM players are substantially burdened by regulations imposed in a different audio era. Radio companies cannot expand to compete with these economic giants when their growth is limited by the Commission's ownership rules. These limits on in-market growth, which are not placed on digital services, put traditional FM and AM players at a significant disadvantage to competitors. In local markets, radio competes directly with these digital giants for local sales dollars, but needs to offer a diversity of content to attract listeners and needs local scale to provide local content and local digital offerings that are not provided by these national platforms. The public interest benefits from a strong free over-the-air radio industry must be preserved before it is too late. The Commission must remember the lessons learned from the newspaper industry which was decimated by digital competition before the Commission loosened the broadcast-newspaper cross-ownership rules, and be mindful to not wait too long to recognize the fundamental changes that are occurring in the marketplace.

It is clear that the Commission's local radio ownership rules are no longer "necessary in the public interest" as required by statute to remain in effect.[5] In fact, they are counterproductive – risking the local service provided by local radio by not allowing it to effectively compete in today's media marketplace. This pleading provides ample support for these propositions, including statistical data from Edison Research's Share of Ear study on the growth of competition for radio's audience,[6] and from Borrell Associates documenting the commanding position of digital advertising giants in today's local advertising marketplace.[7] As this evidence proves that the challenges to radio are only growing, the Joint Commenters respectfully request that the Commission act quickly to revisit its rules and tailor them to the modern era of audio listening.

[5] *See NPRM* ¶ 1, n. 1 (citing Telecommunications Act of 1996, Pub. L. No. 104-104, § 202(h), 110 Stat. 56, 111-12 (1996)).

[6] The Joint Commenters have obtained information from Edison Research's Share of Ear study, a comprehensive study of audio listening trends. Edison, which not only provides entertainment research but also provides the exit polling used by most television news organizations in their election night coverage, has been conducting this study for 5 years, and the results are consistent – radio still has a substantial share of audio listening, but it is declining each year as digital competition increases. The statistical data from Edison Research is included in Exhibit A to these comments ("Edison Exhibit").

[7] The statistical data from Borrell Associates is included in Exhibit B to these comments (Borrell Exhibit"). Borrell, like Edison, has been conducting studies on the impact of digital entrants on traditional media companies. But its focus is on local advertising, where it has been tracking changes in the marketplace for 18 years.

II. THE AUDIO MARKETPLACE IS PART OF THE LARGER MEDIA MARKETPLACE, IN COMPETITION WITH OTHER MEDIA COMPANIES

A. The Commission Must Expand Its Product Market Definition as Radio Competes with Other Media For Both Audience and Advertisers.

In the *NPRM*, the Commission seeks comment on whether it should revisit its definition of the relevant "product market" for purposes of the local radio ownership rule.[8] In doing so, the Commission seeks comment on how radio's ability to attract listeners and advertisers has been affected by satellite and online radio. As evidenced below, satellite and online radio, and other media new to the marketplace since the 1996 adoption of the ownership rules, has greatly impacted over-the-air radio by taking away both listeners and advertising dollars. As there is broad competition for both advertising revenue and the audience of radio stations, the "product market" definition must be expanded.

First, advertisers today view over-the-air radio as being interchangeable with many other advertising outlets. Advertising dollars are frequently being directed away from over-the-air radio to other means of advertising, primarily digital. In the *NPRM*, the Commission cites the Department of Justice's finding that "[m]any local and national advertisers consider English-language broadcast radio to be a particularly effective or important means to reach their desired customers, and do not consider advertisements on other media … to be reasonable substitutes."[9] This finding is based on outdated data. As shown further below, today's local advertiser shifts advertising dollar from one medium to another, trying to find the best way to reach their audience.[10] As the various forms of media are seen as fungible, this finding cannot be the premise for preserving outdated rules.

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[8] *NPRM* ¶¶ 17-21.

[9] *Id.* ¶ 21.

[10] Declarations from the Joint Commenters giving additional examples are attached hereto as Exhibit C.

Second, consumers see other sources of media content as substitutes for radio. Today, while radio can claim broad reach with approximately 92 percent of Americans over the age of 18 tuning into AM or FM radio each week,[11] time spent listening to radio has decreased.[12] Data from Edison Research's Share of Ear study shows that on a daily basis, 30 percent of survey respondents had not listened to the radio, and listening by many others was under an hour.[13] In younger demographics, the drop in radio listening is greater. For those under the age of 25, radio is far down on the list of audio listening sources. For example, only 39 percent of 16 to 19 year olds listen to the radio.[14] Over 50 percent of U.S. residents between the ages of 18 and 34 do not even have an over-the-air radio.[15] The Share of Ear data shows that, in the 13 to 34 demographic, the share of audio listening attributable to over-the-air radio has decreased in the last five years from 33 percent to 24.2 percent, while share of listening to online sources has increased from approximately from 33 percent to about 49.5 percent.[16] As detailed below, the plethora of media choices offered to today's consumer can only further erode a fragmented radio industry.

It is clear that the marketplace recognizes the pressures under which the radio industry is operating. The marketplace value of radio stations has decreased – with stations selling for significantly less than they sold for just a few years ago. The value of stations in major markets

[11] Nielsen, The Nielsen Total Audience Report, Q3 2018, at 14 (rel. Mar. 19, 2019), available at https://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2019-reports/q3-2018-total-audience-report.pdf ("Nielsen Q3 2018 Report").

[12] *See* Edison Exhibit at A-1.

[13] *Id.* at A-20.

[14] Mark Mulligan, *10 Trends That Will Reshape the Music Industry*, Music Industry Blog (Apr. 3, 2019), https://musicindustryblog.wordpress.com/2019/04/03/10-trends-that-will-reshape-the-music-industry/.

[15] Edison Research, The Infinite Dial 2018, at 11-12 (Mar. 8, 2018), https://www.slideshare.net/webby2001/infinitedial-2018 ("Infinite Dial 2018").

[16] *See* Edison Exhibit at A-16.

has greatly declined over market highs of the last decade, and this decline in value slows the flow of capital into radio investments, making it harder for minorities and other new entrants to convince lenders and other financing sources to make funds available for radio investment.[17]

Given the substitutes that are detailed below for radio listeners and advertisers, the Commission must conclude that the product market is not "over-the-air radio." Instead, a more appropriate market is simply "local media," as all locally available media competes for both advertising and listening.

B. Radio Competes with Other Media for Audience.

As stated above, radio faces competition for listeners that has vastly increased since the 1996 adoption of the current ownership rules. For many listeners, the amount of time previously spent listening to broadcast radio has been redistributed to a number of different listening services. And there are many new services that now vie for listeners including those that provide on-demand or interactive audio, non-interactive digital audio or internet radio, and satellite radio. As the Commission recognizes in the *NPRM*, "the growth of broadband Internet and other technologies has given consumers access to more content on more platforms than ever before."[18] The growth of these platforms demonstrates to the Commission that consumers do indeed view non-broadcast audio services as "meaningful substitutes for local radio stations."[19]

The percentage of Americans listening to internet radio audio has doubled since 2012, growing to nearly 190 million people or two-thirds of the population.[20] Pandora continues to be

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[17] *See* Exhibit C at Declaration of W. Lawrence Patrick, Patrick Communications LLC, at 1-2 (describing the declines of the value of broadcast station licenses).

[18] *NPRM* ¶ 2.

[19] *Id.* ¶ 22.

[20] Edison Research, Infinite Dial 2019, at 23 (rel. Mar. 6, 2019), available at https://www.slideshare.net/webby2001/infinite-dial-2019 ("Infinite Dial 2019").

a significant player in the online radio space in 2019, with more than 30 percent of Americans reporting they have used Pandora to listen to music in the past month.[21] Spotify is in close second, with 24 percent of Americans reporting they have used it to listen to music in the past month, up from only 18 percent in 2017.[22] Apple Music now claims that it has more subscribers than does Spotify.[23] iHeart Radio, Amazon Music, SoundCloud, and Google Play All Access continue to bring in more and more listeners each year.[24] In fact, both Amazon Music and Google this week introduced new free, advertiser-supported music services.[25]

Many Americans have also become more familiar with and reliant on podcasting. The number of podcasts available has risen to approximately 660,000[26] and in 2019, nearly 200 million Americans had become familiar with podcasts, with 90 million Americans being monthly listeners.[27] The number of monthly users over the age of 12 signifies a sharp increase over the last year – from 26 percent of Americans in 2018 to 32 percent in 2019.[28]

Research also shows that online "video" services, such as YouTube, are the largest source for new music discovery in younger demographics, and are significant among older listeners too.[29] In effect, even though it has a video component, YouTube is a direct competitor to audio. When surveyed earlier this year, nearly 70 percent of Americans between the ages of

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[21] *Id.* at 36.

[22] *Id.* at 37.

[23] Anne Steele and Tripp Mickle, *Apple Music Overtakes Spotify in Paid U.S. Subscribers* (Apr. 5, 2019), https://www.wsj.com/articles/apple-music-overtakes-spotify-in-u-s-subscribers-11554475924.

[24] Infinite Dial 2019 at 37.

[25] Danica D'Souza, *Free music streaming is coming to Google and Amazon*, Mashable (Apr. 24, 2019), https://mashable.com/video/google-amazon-free-music-streaming-coming-soon/.

[26] *See* Adam Sternberg, *How Podcasts Learned to Speak*, New York Magazine (Mar. 18, 2019), https://www.vulture.com/2019/03/the-great-podcast-rush.html.

[27] Infinite Dial 2019 at 47, 49.

[28] *Id.* at 49.

[29] *Id.* at 44-45.

12 and 34 used YouTube in the last week specifically for music.[30] More than 50 percent of Americans all ages reported the same.[31]

In the Edison Research Share of Ear study, Edison discovered that the percentage of audio listening going to AM and FM radio has declined in the last five years from approximately 50 percent to 41 percent.[32] Over the same period of time, online audio, including streaming services, podcasts, and YouTube, has grown from about 21 percent to 34 percent.[33] In younger demographics (persons aged 13 to 34), the numbers are much more dramatic – radio listening has decreased from approximately 33 percent to 24.2 percent, while online audio has increased from 33 percent to 49.5 percent.[34] For those under 25, the growth of digital listening at the expense of over-the-air radio is even more substantial.[35]

1. RADIO'S COMPETITION IS DOMINATED BY NEW ENTRANTS OWNED BY THE BIGGEST COMPANIES IN AMERICA.

In the *NPRM*, the Commission seeks comment on whether "local radio stations face direct competition today from satellite radio and online audio services."[36] As shown above, competition in the marketplace is at a record high, driven up by online radio services and other new audio participants. The most significant recent entrants to the online audio marketplace have been services controlled by Apple, Amazon, and Google, which have market capitalizations

[30] *Id.*

[31] *Id.*

[32] *See* Edison Exhibit at A-14.

[33] *Id.*

[34] *Id.* at A-16.

[35] *Id.*

[36] *NPRM* ¶ 22.

hundreds of times larger than the capitalization of the radio industry.[37] For example, Google has produced Google Play All Access, Apple has introduced Apple Music, and Amazon has introduced Amazon Music. Facebook has also begun incorporating music offerings into its website and application.[38] Amazon's and Apple's market caps have both been nearing a trillion dollars in recent weeks.[39] Alphabet (Google) has a market cap of nearly $860 billion.[40] Even Spotify and Sirius, with market caps each at about $30 billion,[41] each have five times the total market cap for all of the publically traded radio companies.[42] Unlike traditional over-the-air radio station owners, these companies can use music and other audio entertainment as a loss leader to promote other portions of their business.[43]

As many as 100 million people have access to Amazon Music through their Amazon Prime membership.[44] Other competitors, like Spotify, have more than 80 million premium subscribers and nearly 200 million monthly active users on a global scale. Apple Music just

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[37] *See, e.g.*, Comments of Connoisseur Media, LLC, Townsquare Media, Inc., Mid-West Family Broadcasting, Midwest Communications, Inc., and the Frandsen Family Stations, MB Docket No. 18-227, at 16-17 (filed Sept. 24, 2018) (hereinafter "Connoisseur Comments").

[38] Facebook Newsroom, *More Ways to Share and Connect with Music on Facebook* (Oct. 24, 2018), https://newsroom.fb.com/news/2018/10/more-ways-to-share-and-connect-with-music-on-facebook/.

[39] Yahoo! Finance, Amazon.com, Inc., https://finance.yahoo.com/quote/AMZN (last visited Apr. 29, 2019); Yahoo! Finance, Apple Inc., https://finance.yahoo.com/quote/AAPL (last visited Apr. 29, 2019).

[40] Yahoo! Finance, Alphabet Inc. (Google), https://finance.yahoo.com/quote/GOOG/ (last visited Apr. 29, 2019).

[41] Yahoo! Finance, Spotify Technology S.A., https://finance.yahoo.com/quote/SPOT (last visited Apr. 29, 2019) (with market capitalization of approximately $26 billion); Yahoo! Finance, Sirius XM Holdings, Inc., https://finance.yahoo.com/quote/SIRI (last visited Apr. 29, 2019) (with market capitalization of approximately $28 billion).

[42] In computing the market capitalization of the broadcast radio industry, a $2.5 billion value has been imputed for the largest radio company, iHeart.

[43] Connoisseur Comments at 16-17, 19.

[44] *See, e.g.*, Scott Van Voorhis, *Amazon Pushes Prime Membership Past 100 Million*, TheStreet (Jan. 17, 2019), https://www.thestreet.com/markets/amazon-pushes-prime-membership-past-100-million-14837386; Amit Chowdhry, *Amazon Hits Over 100 Million Prime Members*, Forbes (Apr. 19, 2018), https://www.forbes.com/sites/amitchowdhry/2018/04/19/amazon-prime-100-million-members/.

passed 100 million paid subscribers – topping Spotify in the U.S.[45] This growth is only going to continue, making the competitive divide between digital services and traditional broadcast radio even greater.[46] For example, earlier this year, SiriusXM, the only significant U.S. satellite radio service, acquired Pandora, the largest non-interactive Internet radio service in the US and also a significant player in delivering on-demand audio services.[47] Even prior to the merger, SiriusXM had more than 32.7 million total subscribers; Pandora had 74.7 million active total subscribers. Within days of closing, SiriusXM sent out an email offer to its satellite-radio subscribers for a free 14-day trial to Pandora's premium platform.[48] This month, both Amazon and Google introduced new advertiser supported streaming services to compete in the audio marketplace.[49]

2. TECHNOLOGY IS EXACERBATING THE OTHER CHANGES HAPPENING IN THE MARKETPLACE.

Technology has also changed the way we consume audio content, exacerbating the other changes already happening in the marketplace. While radio is "free" to owners of radios, receivers are becoming less available. The new status quo is having smartphones capable of receiving alternatives or voice-controlled devices in homes and vehicles. These trends will only continue to increase as time goes on.

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[45] Anne Steele and Tripp Mickle, *Apple Music Overtakes Spotify in Paid U.S. Subscribers* (Apr. 5, 2019), https://www.wsj.com/articles/apple-music-overtakes-spotify-in-u-s-subscribers-11554475924.

[46] *See* Edison Exhibit at A-1, stating "This trend is even more pronounced among younger Americans, with the minutes that people age 13-24 listened to AM over-the-air broadcasts 38 percent lower than they were in 2014. *We see no indication in the data that, as this demographic ages, they will return in significant numbers to radio listening*."

[47] Inside Radio, *SiriusXM Closes $3.5 Billion Purchase of Pandora* (Feb. 1, 2019), http://www.insideradio.com/free/siriusxm-closes-billion-purchase-of-pandora/article_dfe12776-262b-11e9-bb43-6348a3b15c39.html.

[48] Rick Munarriz, *Pandora Is Already Paying Off for Sirius XM*, The Motley Fool (Feb. 10, 2019), https://www.fool.com/investing/2019/02/10/pandora-is-already-paying-off-for-sirius-xm.aspx.

[49] Annie Gaus, *Spotify Challenged by Free Music Streaming Services from Amazon, Alphabet*, TheStreet (Apr. 22, 2019), https://www.thestreet.com/investing/stocks/amazon-alphabet-challenge-spotify-free-music-streaming-14933361.

Almost 30 percent of Americans over the age of 12, and 50 percent of Americans between the ages of 18 and 34, no longer own an FM or AM radio in their home.[50] At the same time, 237 million Americans over the age of 12 – or 84 percent – have smartphones today, up from only 10 percent in 2009.[51] Furthermore, voice-controlled devices such as the Amazon Echo and Google Home have stormed into the marketplace and are entering more homes than ever before. Today, nearly 27 percent of Americans own one or more voice-controlled devices, up from 11 percent just two years ago.[52] In just one year, the number of smart speaker owners with three or more speakers in their home has risen from 11 percent to 24 percent.[53] Almost 90 percent of all smart speaker users have asked their smart speakers to play music but less than half of those same users have used the speakers to listen to an AM or FM radio station.[54] The growth of smart speakers is one of the fastest growing technologies ever – outpacing the early growth of the smartphone.[55] The environment for listening, and consumer choices available through smart speaker devices, are significantly broader than the options available through an AM/FM radio.

Radio listening in the car – where radio has historically dominated as the primary source of audio content – has also changed. Nearly 43 percent of all radio listening still happens while in a vehicle.[56] However, more Americans are listening to online radio, podcasts, or other sources

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[50] *See* Infinite Dial 2018 at 11-12.

[51] *Id.* at 16.

[52] InsideRadio, *Free, Easy, Local Keep Radio Foundation Of Techsurvey2019 Pyramid* (Apr. 2, 2019), http://www.insideradio.com/free-easy-local-keep-radio-foundation-of-techsurvey-pyramid/article_e73440a4-5514-11e9-81f7-4360af503c8b.html ("Inside Radio Techsurvey Article").

[53] Infinite Dial 2019 at 21.

[54] Inside Radio Techsurvey Article.

[55] *See* Infinite Dial 2019 at 44-45; *see also* Joint Comments of Connoisseur Media, LLC, Townsquare Media, Inc. et al., MB Docket No. 18-227, at 11 (filed Sept. 24, 2018).

[56] Inside Radio Techsurvey Article.

of audio while in the car.[57] For example, nearly one third of Americans have previously listened to online radio in the car,[58] and 12 percent say it is the type of audio source most often used.[59] More than 25 percent of Americans have listened to podcasts in the car and 22 percent have listened to SiriusXM, up from 23 percent and 21 percent in 2018, respectively.[60]

Looking at the Edison Research data, the fact that radio is still very important in the car is evident. Approximately 65.4 percent of in-car listening remains with radio in 2019 – but that is down from 68.6 percent in 2014.[61] Over that period of time, listening to Sirius XM has increased from 13.8 percent to 17.1 percent. Streaming, while still low in the overall survey, has doubled from 2.1 percent to 4.2 percent, and podcasts have grown from .6 percent to 1.8 percent.[62] YouTube is even a factor in the car (as not everyone is a driver), increasing from .4 percent to 1.6 percent.[63]

However, when looking to the future, it is clear that already radio's in-car dominance is being threatened. In younger demographics, the use of alternative media is significantly higher. Looking at those between the ages of 13 and 34, radio has gone from 68.4 percent of listening in 2014 to 56.9 percent in 2019 – a decrease of almost 10 percentage points in just five years.[64] While Sirius XM has been generally flat among this demographic, presumably due to the cost of the service, streaming audio has increased from 4 percent to 8.5 percent, and has been higher in

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[57] *See* Infinite Dial 2019 at 29-32.

[58] *Id.* at 30.

[59] *Id.* at 31.

[60] *Id.* at 30.

[61] Edison Exhibit at A-17.

[62] *Id.*

[63] *Id.*

[64] *Id.* at A-19.

past quarters.[65] Podcasting has gone from .7 percent to 3.6 percent.[66] And YouTube usage has increased from .8 percent to 4.1 percent.[67] Thus, digital usage in the car has increased from about 5.5 percent in 2014 to over 16 percent in 2019.

Technology dictates that these trends are only increasing, as digital listening in the car becomes easier. In-car listening is increasingly being controlled by smart dashboards and in-car entertainment systems running on platforms developed by the same companies that are offering interactive music services that compete with over-the-air radio.[68] Smart speaker technology is also coming to the car – with 114 million U.S. adults already having tried voice assistants in the car.[69] Once in the car, there will be little difference between accessing a radio station or a podcast or an online stream – all will be accessible by just asking for that source.

Driverless cars, which are being tested all over the country, will only exacerbate the pressures on radio as they are introduced. When a driver no longer needs to pay attention to the road, suddenly video competitors will eat into radio's domain. This is no longer a question of "if" these cars are coming, but instead a question of "when" they will be widely available. Radio needs to have time to adapt and plan for this new competition.

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[65] While the attached data appears to show a drop in listening to streaming audio from 2018 to 2019 among this demographic, it is believed that this is a statistical anomaly. As there is thus far only one quarter of data for 2019, the number for streaming audio for 2019 will likely be different when a complete year's data is included.

[66] Edison Exhibit at A-19.

[67] *Id.*

[68] *See* Apple CarPlay, https://www.apple.com/ios/carplay/ (last visited Apr. 29, 2019); *see also* Kristin Houser, *Google Thinks it Can Make Your Car's Dashboard Not Suck*, The Byte (Sept. 19, 2018), https://futurism.com/the-byte/media-displays-car-google.

[69] Bret Kinsella, *Twice the Number of U.S. Adults Have Tried In-Car Voice Assistants as Smart Speakers* (Jan. 15, 2019), https://voicebot.ai/2019/01/15/twice-the-number-of-u-s-adults-have-tried-in-car-voice-assistants-as-smart-speakers/.

3. OTHER TYPES OF CONTENT HAVE ENTERED THE MARKETPLACE, FURTHER INCREASING COMPETITION FOR AUDIENCE.

In addition to the above, video programming and audio provided by formerly print only publications, have also begun to compete with radio in recent years. In 1996, we were in a world where Fox was the new kid on the block as the fourth broadcast network. At the end of 1995, there were approximately 131 cable programming networks, but by the end of 1998, only 55 percent of the population had access to 55 or more channels. Even at the end of the decade, cable subscriptions were only at about 70 percent. Today, there are over 800 programming networks reaching over 90 percent of the population.[70]

In addition to the choices provided by cable, there is a dizzying array of streaming video services, and seemingly a new one is introduced every day. Video and audio has found its way into many other websites, including those of many news outlets or other media sources that were previously print publications. The growth in consumption of such video streaming offerings, by necessity, cuts into the total amount of time an individual has available to listen to radio. On a local level, media competitors, like newspapers, are now providing local audio or video content to stay relevant in the marketplace – also cutting into radio share of the audience.

C. AM And FM Radio Compete With Other Media for Advertising In An Increasingly Competitive Marketplace.

It is abundantly clear that radio not only competes with other media for audience, but it also vigorously competes with other media for advertising dollars, and that competition is far different than it was in 1996. As demonstrated in the attached exhibits and below, advertising revenues for AM and FM radio are at best flat and in some cases marginally declining, regardless of the size of the marketplace, on a national and local basis. At the same time, the number of

[70] California Cable & Telecommunications Association, History of Cable, https://www.calcable.org/learn/history-of-cable/ (last visited Apr. 29, 2019).

competitors for both national and local advertising has exploded. In the local advertising market, from which radio receives the bulk of its revenues,[71] the number of competitors has drastically increased. For example, there are more than 120 available marketing channels available today in most local markets, compared to less than 80 in 2010 and less than 20 in 2000.[72] These trends demonstrate the need for regulatory change.

On a national basis, marketing through video or online audio is gaining traction because these methods are seen by some as more measurable and more precisely targeted. Internet advertising revenues for 2017 totaled $88 billion, up more than 20 percent from $75.5 billion in 2016.[73] This dwarfs the total advertising revenue for the entire radio industry which is estimated at $13.87 billion, a drop of 2 percent from the prior year.[74] At its height 12 years ago, radio revenue was $18.1 billion in 2006.[75]

Local advertising is now dominated by digital. On a local basis, digital services take over half of the local advertising in every radio market. Even in the smallest markets, competitors like Facebook and Google have been growing their advertising offerings and their share of revenue.[76] According to Borrell, 85 percent of local advertising agencies surveyed rated

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[71] InsideRadio, *RAB/Borrell: Radio's Digital Revenues Grew 15% in 2018* (Feb. 5, 2019), http://www.insideradio.com/rab-borrell-radio-s-digital-revenues-grew-in/article_3c672828-2966-11e9-92f9-ffbc4de0aa69.html (stating "over-the-air ad sales still represent the bulk of radio revenue").

[72] *See* Borrell Exhibit at B-2.

[73] Connoisseur Comments at 8 (citing Interactive Advertising Bureau, *IAB Internet Advertising Revenue Report*, at 7 (May 10, 2018), https://www.iab.com/wp-content/uploads/2018/05/IAB-2017-Full-Year-Internet-Advertising-RevenueReport.REV2_.pdf).

[74] Emily Reigart, *U.S. Commercial Radio Revenue Down in 2017*, RadioWorld (Apr. 5, 2019), https://www.radioworld.com/news-and-business/radio-revenue-down-in-2017.

[75] *See* John Eggerton, *TV Station Revs Up 8.2% To $22.5 Billion*, Broadcasting & Cable (Mar. 16, 2018), https://www.broadcastingcable.com/news/tv-station-revs-82-225-billion-77562 (citing data from BIA Financial Network).

[76] Connoisseur Comments at 8-9, nn. 23 & 24.

Facebook as “moderately to extremely effective” for advertising.[77] Today, pure-plays and the digital offerings of legacy media account for $67.4 billion or 53 percent of the $126.3 billion in total local advertising spending.[78] By 2020, digital offerings are expected to hit $77 billion or 63 percent of local advertising.[79]

Here, too, the Joint Commenters offer detailed data on the growth of digital advertising competition in the local marketplace through the attached report from Borrell, which has been tracking, analyzing and forecasting local advertising expenditures for 18 years. As set forth in that report, digital media’s share of local advertising revenue has grown from 26 percent five years ago to 53 percent at the end of 2018. By 2023, Borrell predicts that no locally-based media entity will have more than 6 percent of the local advertising dollars, while digital media will account for 63 percent (with 70 percent of those digital dollars going to Facebook, Google and Amazon).[80]

The attached Borrell report goes into great detail on the fragmentation of the local advertising marketplace. Appended to that report are breakdowns of the local advertising sales in 11 advertising markets (the breakdown is for every 20th television market – starting with New York down to St. Joseph, Missouri). For each market, the breakdown shows the local advertising dollars that are spent with each different type of media in the market. In each market, while the gross numbers are different, the results are the same. Digital revenues have increased between 168 percent and 181 percent in each market; radio revenues have decreased

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[77] Harry A. Jessell, *Facebook, Google Dominant in Local Ad Market*, TVNewsCheck (Apr. 3, 2019), https://tvnewscheck.com/article/233267/facebook-google-dominate-in-local-ad-market/.

[78] *Id*.

[79] *Id*.

[80] Borrell Exhibit at B-2.

between 15 percent and 21 percent.[81] As Borrell notes, "we have concluded that local advertisers see radio and digital advertising as substitutes."[82] Revenues flow from one to the other, with the bulk in recent years flowing to digital. In each market, digital dominates in capturing local advertising spending.

The Commenters have firsthand experiences with these marketplace changes.[83] One of the Joint Commenters noted that it has in the last three years experienced the loss of advertising accounts worth over $100,000 to digital services like Pandora and Google AdWords in markets including Duluth, Fargo, Wausau-Stevens Point and even Hibbing, Minnesota.[84] Another party to the comments noted how advertisers are faced with more and more choices for their local advertising dollars – including one advertising agency in Utica, NY which a decade ago was called on by 11 companies looking to sell local advertising but which now gets calls from over 50 different companies trying to sell them local ads.[85] Borrell confirms this explosion in the number of companies offering advertising outlets that are now calling on local businesses, and shows that the number of these outlets boomed only a few years after the current ownership rules were adopted.[86]

These changes are not isolated to large markets or certain sectors of the economy. In one market, the largest jewelry store and one of the largest car dealers have both moved substantial

[81] *Id.* at B-10.

[82] *Id.* at B-4.

[83] *See generally* Exhibit C.

[84] Connoisseur Comments at 10.

[85] *Id.* at 15.

[86] *See* Borrell, *Local Media's New Phase, Survival of the Fittest*, NAB Show, at 6 (Apr. 9, 2019), available at http://www.borrellassociates.com/nab2019.

dollars from radio to digital, even though both businesses were locally owned and managed.[87] In other markets across the country, local car dealerships have been directed to limit their broadcast radio or cable presence and to instead direct resources to digital services. In many instances the car companies will no longer reimburse local dealerships for radio advertising. The "coop" dollars[88] from the companies are being directed to digital advertising.[89] Separately, recruitment as a category of advertising has all but disappeared due to the digital platforms like Glassdoor, Indeed, and LinkedIn.[90] The examples are endless, but the Joint Commenters have provided innumerable examples in Exhibit C that show that across markets, large and small, the impact of digital advertising is having a profound effect on all traditional media including radio which relies so heavily on these local advertising dollars for the local services that it provides.

As set forth in the Declaration of Beth Neuhoff of Neuhoff Media, one area in which this trend toward digital has been particularly evident is in political advertising.[91] In one glaring example, the winning candidate in the recent governor's race in Illinois spent over $30 million on digital advertising, but only $500 total on Neuhoff's Illinois stations. In the past, these stations have received tens of thousands of dollars in gubernatorial races.

Local advertising dollars are fungible. They often move from one platform to another, with advertisers seeing the various platforms, including over-the-air radio and online services, as substitutes.[92] If one form of advertising does not work as well as another, advertisers will

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[87] Exhibit C at Declaration of Thomas A. Walker, Mid-West Family, at 1 (describing changes to the marketplace in Eau Claire, Wisconsin).

[88] "Co-op" dollars are dollars paid by manufacturers to retailers to reimburse those local retailers for advertising the manufacturer's brands in the retailer's commercials.

[89] *See generally* Exhibit C.

[90] *See* Exhibit C at Declaration of Jeffrey D. Warshaw, Connoisseur Media, LLC, at 1.

[91] *See* Exhibit C at Declaration of Beth Neuhoff, Neuhoff Media, at 2.

[92] *See* Borrell Exhibit at B-1-B-2.

quickly shift to the newer or more effective platform. Advertisers may decide to decrease advertising in one category, and increase them in another. Often, these changes balance out, though on the whole, there is a migration of advertising to digital platforms. As shown by Borrell, 90 percent of broadcast advertising buyers plan to maintain or increase social media spending.[93]

As more and more entrants come into the audio marketplace, these trends are only going to continue. The competition is fierce for these local ad dollars. And, while the total advertising has grown as digital has brought new advertising into the marketplace, there is only so much growth that is possible. As the rate of digital growth flattens in the coming years, the battle will be over who gets what dollars. A fragmented radio industry, constrained from achieving the local scale to compete with the media giants, will be unable to maintain their current level of service without the relief being sought in this proceeding.

III. REVISING THE ANTIQUATED OWNERSHIP RULES WILL PROMOTE THE PUBLIC INTEREST

Currently, over-the-air radio is constrained in its growth potential and competitiveness against online radio competitors, satellite competitors, and other traditional local media competitors – like newspapers or yellow pages[94] – who are already consolidated in the market, by antiquated ownership regulations adopted more than 20 years ago for a far different media marketplace. The Commission's ownership limits are not applied to these other competitors,

[93] *See* Borrell, *Local Media's New Phase, Survival of the Fittest*, NAB Show (Apr. 9, 2019), available at http://www.borrellassociates.com/nab2019.

[94] According to Borrell, many traditional media sources like yellow pages and newspapers have already become more consolidated, and as a result, made a digital transformation. For example, Yellow Pages Ltd. in Canada gets 73 percent of its annual advertising revenue from digital sales. Overall, Yellow Pages companies have an industry average of 30 percent of revenues coming from digital sales, compared to only 8.8 percent of radio broadcasters. *See* Borrell, *Local Media's New Phase, Survival of the Fittest*, NAB Show (Apr. 9, 2019), available at http://www.borrellassociates.com/nab2019.

putting traditional AM and FM radio at a significant disadvantage. More scale in the local market is needed by traditional radio to enable AM and FM station owners to compete against the digital competitors. Allowing scale will provide radio owners with the resources necessary to provide a platform that leverages localism and offers localized digital products.

In the *NPRM*, the Commission seeks comment on whether "non-broadcast audio services provide programming that responds to the needs and interests of local markets."[95] In brief, the needs of local markets are not being met by the non-broadcast services flooding the marketplace. As highlighted above, many of the new digital entrants are owned by massive companies like Google and Facebook that have endless resources to dominate the marketplace. But these companies do nothing to promote localism. Even though they do not promote localism, as set forth above, consumers are still increasing their usage of these services. As a result, consumers do not receive important local news, particularly in times of weather or other emergencies, unless they are able to tune into their local AM or FM radio station using whatever device they may have nearby. Adjusting the current ownership rules in light of the changing marketplace will allow traditional players to better compete with new entrants and promote the public interest.

In the *NPRM*, the Commission seeks comment on whether the ownership rule is "necessary to promote localism or viewpoint diversity."[96] Elimination of the rule will be the best way to promote increased diversity in the local marketplace. The Commission cites the belief that consolidation in the radio marketplace will lead to homogeneity in radio programming.[97] This assertion is flatly wrong. Allowing consolidation will encourage station owners to provide more diverse programming. There is no incentive for station owners to compete against

[95] *NPRM* ¶ 22.

[96] *Id.* ¶ 14.

[97] *Id.* ¶ 20.

themselves. Today, some demographics or segments of the population are unserved because of the ownership framework. There may be three "top hits" or country stations owned by different companies each trying to get a share of a lucrative audience, but zero alternative or hip-hop stations. By owning multiple stations in the same market, station owners can eliminate duplicative formats and offer something new and different. This is not just theory. As set forth in the Declaration of Michael Wright of Midwest Communications,[98] in a recent acquisition where they were able to purchase the stations of a major competitor. Instead of the three country stations that were in the market before the acquisition, there is now just one such station, and the two other stations that were chasing the same audience are now providing different, previously unavailable, program formats to the market. In another example in the declaration of Mr. Wright, there is an economically struggling minority owner in one of his company's markets who could benefit from a partnership with a bigger company, but Midwest Communications cannot offer that partnership consistent with the current ownership rules. The consolidation that would result from the changes proposed herein is very different from national concentration where the same programming may end up in multiple markets in the way that some opponents fear. The competition promoted here would result in more diversity as owners will offer different programming rather than competing with themselves.

Local consolidation will also give station owners more resources to serve the public interest. After a rule change, stations will be able to improve local sports offerings, such as Friday night football coverage, because they will have more resources to dedicate to those types of specialized offerings. Other stations will be able to create more diversity in their service areas. Stations can also eliminate the non-live and non-local stations that exist today. As set

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[98] *See* Exhibit C at Declaration of Michael Wright, Midwest Communications, Inc., at 1.

forth in the attached declarations, in many markets, there are competing radio stations that have felt the effects of the new media competition, and have not been able to provide the kinds of local services that serve the local community.[99] Multiple stations provide nothing but satellite programming, not benefitting the local community at all.[100] By permitting existing owners who are interested in serving the local community to own these stations, the Commission will ultimately be allowing them to provide the local content necessary to distinguish themselves in the current competitive environment.

But, perhaps most importantly, station owners will also have the ability to more effectively execute interactive marketing strategies. Greater scale in the marketplace gives radio owners the resources to expand their digital offerings, and to compete with the national digital companies. The *NPRM* cites one radio industry pundit as suggesting that radio will never be able to reclaim the dollars lost to digital.[101] That kind of defeatist attitude would suggest that broadcasters are condemned to the slow decline of their services and new entrants might as well stay away from the industry. But that is far from the truth seen by the Joint Commenters. The radio industry continues to have loyal listeners, and continues to perform well for local advertisers. As shown by Edison, radio still has a large, entrenched listening audience.[102] In fact, in the overall audio marketplace, it still has the largest "share of ear." But its ownership is fragmented – and it has not been able to turn its high percentage of listeners into a

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[99] *See, e.g.*, Exhibit C at Declaration of Susan K. Patrick, Legend Communications, LLC, at 2 (stating that competitors that used to have full-service operations are now operated with minimal staffs, with voice tracked or satellite programming and little or no local content. These competitors, who "are barely staying on the air," have asked her company to purchase the stations, but they cannot do so under the current ownership rules.)

[100] *See generally* Exhibit C.

[101] *NPRM* ¶ 13, n.61.

[102] *See* Edison Exhibit at A-14.

correspondently high share of local advertising dollars. As noted by Borrell, in many markets, individual radio clusters will have less than 1 percent of the market's total local advertising dollars[103] – hardly the strong base from which to offer local programming or to compete for more local advertising dollars in digital.

Radio needs to be able to grow to meet the challenges of the future. It cannot be artificially forced by outdated ownership rules adopted in a far different media environment to stay fragmented, competing in a limited silo. It needs the resources to expand its scope of program offerings, to offer interactive partnerships between local radio and online advertising, and to otherwise grow to better compete to give marketers a local approach to promoting events and businesses.

Finally, in giving up-to-date news about a natural disaster or local tragedy, or in reporting on a widespread local issue or epidemic, such as gang violence or opioid addiction, more consolidation in the local marketplace will work to the benefit of consumers. The ability to broadcast lifesaving information to as many people as possible is critical. However, reporting on widespread issues or disasters is extremely costly. By allowing stations in the marketplace to band together, consumers will receive more far-reaching, high quality information in a timely manner.

Allowing for more effective competition also will bring new investment capital into the radio industry. Right now, with all of the competitive threats radio is facing, lenders and investors have been scarce.[104] Potential new entrants into broadcasting cannot find the funds to acquire stations. By allowing for a radio industry that can compete in the new media marketplace, capital will be encouraged to reenter the marketplace.

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[103] *See* Borrell Exhibit at B-2.

[104] *See, e.g.*, Exhibit C at Declaration of W. Lawrence Patrick, Patrick Communications LLC., at 1.

The possibilities for local stations are endless and the public interest benefits of today and tomorrow must be preserved. This can only be done if the Commission promotes a strong free over-the-air radio industry. Consumers want high quality radio that delivers on local needs – for example, nearly 90 percent of radio listeners agreed that the primary advantage to listening was "its local feel," up from only 77 percent three years ago.[105] But this is only possible if the opportunity for scale is created. It is imperative that the Commission wait no longer, and learn from the mistakes made when revisiting the broadcast-newspaper cross-ownership rule.

IV. CONCLUSION

The Commenters urge the Commission to take significant steps to reform the current ownership limitations. As demonstrated above, the existing limits and subcaps are unnecessary as all radio stations – FM and AM – face escalating competition from massive media competitors and other burgeoning competitors. Given the level of competition in the marketplace for both viewers and dollars, as described above and in the attached exhibits, no local rules are "necessary in the public interest" in this era of audio listening. As such, the Commission must eliminate such rules pursuant to its Congressional directive.

If the Commission is not willing to entirely eliminate its ownership limitations, the Commission should consider the alternative proposed by the National Association of Broadcasters.[106] The Commenters believe that the alternative proposal is reasonable but will still burden stations with a competitive imbalance. However it acts, the Commission must do so soon, as the competition is here, and radio needs the ability to react, and it needs to have that ability today.

[105] Inside Radio Techsurvey Article.

[106] Letter from Rick Kaplan et al., Legal and Regulatory Affairs, NAB, to Michelle Carey, Chief, Media Bureau, FCC, at 1-4 (filed June 15, 2018).

Respectfully submitted,

Connoisseur Media, LLC
Jeffrey D. Warshaw_______________
Founder and Chief Executive Officer

Townsquare Media, Inc.
Christopher Kitchen______________
Executive Vice President and General Counsel

Mid-West Family Broadcasting
Thomas A. Walker________________
President

Midwest Communications, Inc.
Michael Wright__________________
Chief Operating Officer

Frandsen Family Stations
M. Kent Frandsen_________________
President

Cherry Creek Media
Jonathan Brewster________________
Chief Executive Officer

Neuhoff Communications
Beth Neuhoff____________________
Chief Executive Officer and President

Eagle Communications, Inc.
Gary Shorman___________________
Chairman and Chief Executive Officer

Patrick Communications, LLC
W. Lawrence Patrick______________
Managing Partner

Legend Communications, LLC
Susan K. Patrick_________________
Managing Partner

April 29, 2019

<u>**EXHIBIT A**</u>

Statistical Data from Edison Research

Edison Research has conducted the Share of Ear® survey since 2014 and has currently conducted seventeen waves of the survey. It utilizes both online and offline sampling to ensure that all Americans' listening behavior is represented. Respondents are asked to fill out a 24-hour diary listing all of their audio listening. A full description of our methodology is attached at the end of the following exhibits. We believe our survey data to be the most comprehensive and accurate long-term study of audio listening for US consumers. The full data set from which the attached materials come is used by many media companies for business planning and forecasting purposes. Data from this research has been presented at many industry conferences and has been validated by many users.

During the time we have conducted this research series, we have detected some significant changes in listening patterns. As it has become easier for consumers to listen to audio in a variety of different ways, there has been a noticeable decrease in the amount of time that Americans have spent listening to AM/FM over-the-air broadcasts. For all Americans, in 2014 the average amount of listening to AM/FM over-the-air broadcasts was 130 minutes per day and in our most recent study in 2019 that has fallen to 95 minutes, a decrease of 27% over five years. These drops have been consistent; AM/FM over-the-air broadcast listening has decreased every year that we have conducted the Share of Ear® survey. This trend is even more pronounced among younger Americans, with the minutes that people age 13-24 listened to AM over-the-air broadcasts 38% lower than they were in 2014. We see no indication in the data that, as this demographic ages, they will return in significant numbers to radio listening.

Attached are PowerPoint slides providing the key findings from our research – showing the decrease in time spent listening to radio among those 13 and above over the 5 year period of our study, and the corresponding increase in listening to audio streaming services. These slides also show the more pronounced effects of this listening shift among younger demographics. Following the slides are tables breaking down the time spent listening to audio services each year over the last five years, showing both the number of minutes spent listening, and the percentage of total listening attributable to particular sources of audio programming. These, too provide information for the total survey population 13 and above, and for the 13-24 and 13-34 year old demographic groups. Information is provided both for overall listening, and for listening in the automobile.

Finally, there is a table presenting the amount of time spent listening to over-the-air radio by our respondents on the day on which their listening was surveyed.

Share of Ear®

Americans' Share of Time Spent Listening to Audio Sources

AM/FM Radio vs All Audio Streaming Sources

edison research

Share of Ear

Survey Methodology:

- 4,000+ respondents each wave
- National sample 13+
- Online and offline
  - Tracked since 2014
- Offered in English and Spanish
- Updated through Q1 2019

How to Read your Data

Over the Air AM/FM Radio

Over the air AM/FM radio broadcasts

All Audio Streaming Sources

Pure plays such as Pandora, Spotify and others

YouTube for music and music videos only

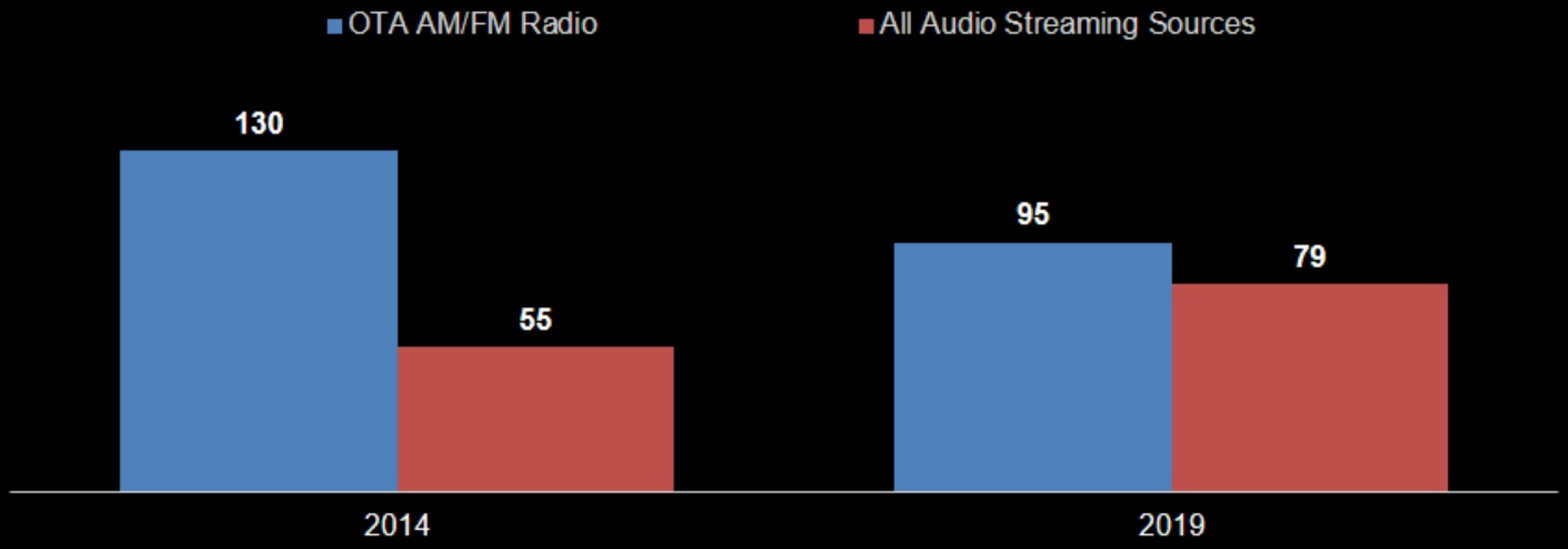
Podcasts

Online AM/FM radio streams

Share of Ear

Key Finding

Americans' 13+ Daily Time Spent Listening to Audio Sources in Minutes



All Audio Streaming Sources includes pure plays such as Pandora, Spotify and others; YouTube for music and music videos only; Podcasts; online AM/FM radio streams

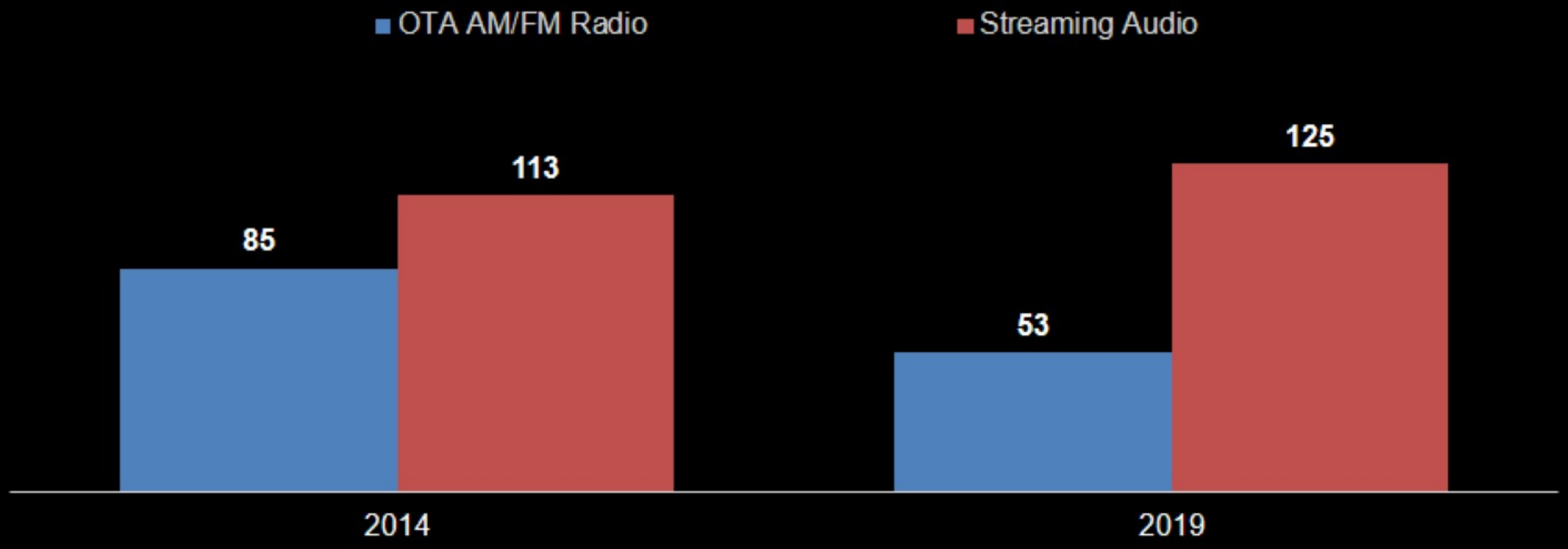
OTA AM/FM Radio includes over the air AM/FM radio broadcasts

Edison Research Share of Ear ® 2019

Share of Ear

Americans' 13-24 Daily Time Spent Listening to Audio Sources in Minutes

Key Finding

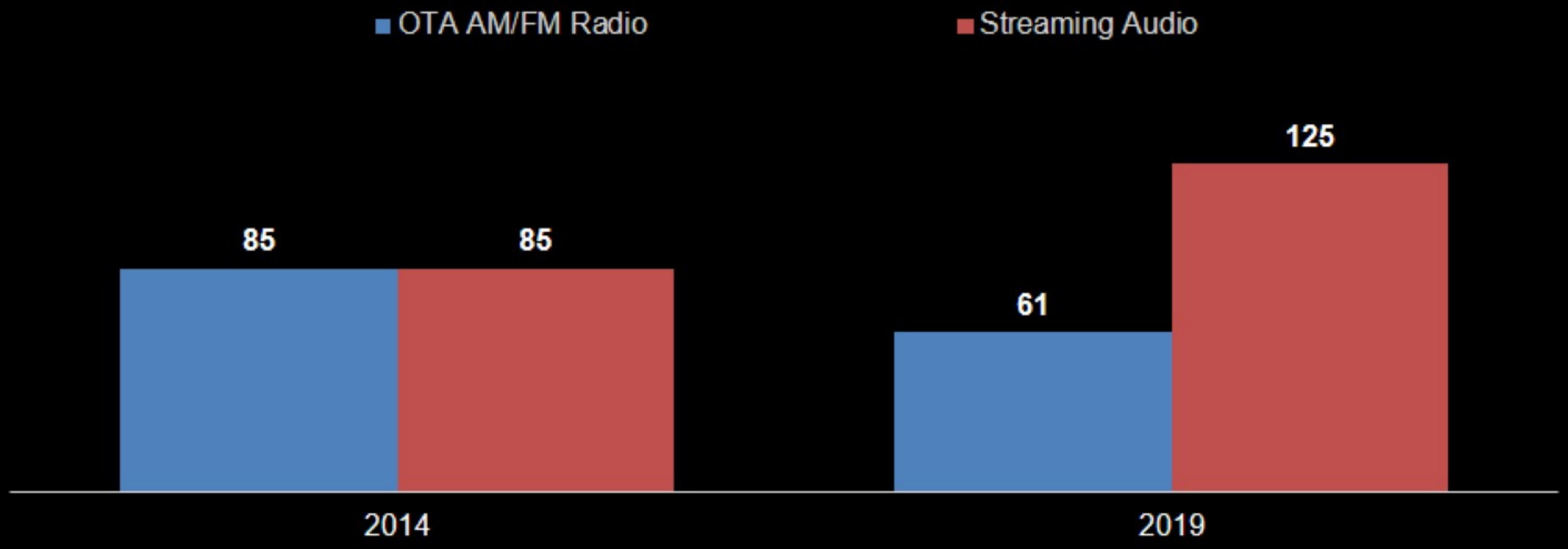


All Audio Streaming Sources includes pure plays such as Pandora, Spotify and others; YouTube for music and music videos only; Podcasts; online AM/FM radio streams
OTA AM/FM Radio includes over the air AM/FM radio broadcasts
Edison Research Share of Ear ® 2019

Share of Ear

Key Finding

Americans' 13-34 Daily Time Spent Listening to Audio Sources in Minutes



All Audio Streaming Sources includes pure plays such as Pandora, Spotify and others; YouTube for music and music videos only; Podcasts; online AM/FM radio streams

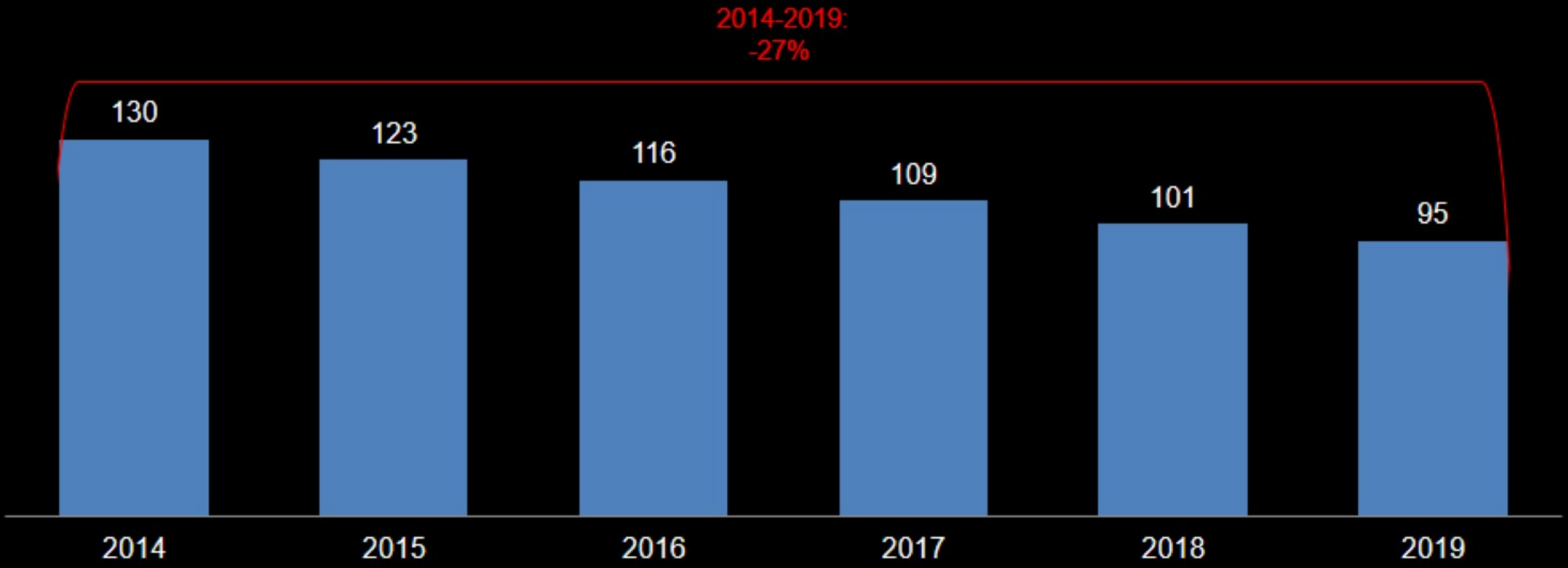
OTA AM/FM Radio includes over the air AM/FM radio broadcasts

Edison Research Share of Ear ® 2019

Share of Ear

Key Finding

Americans' 13+ Daily Time Spent Listening to Audio Sources in Minutes: Over the Air AM/FM Radio

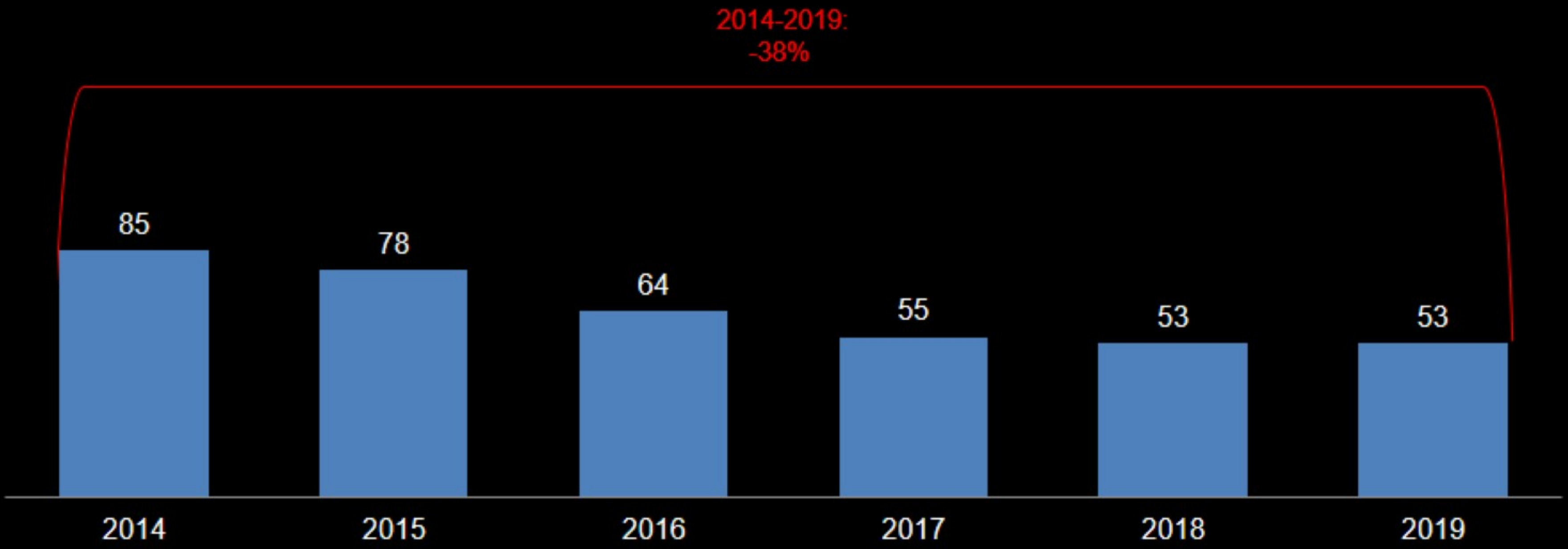


All Audio Streaming Sources includes pure plays such as Pandora, Spotify and others; YouTube for music and music videos only; Podcasts; online AM/FM radio streams
OTA AM/FM Radio includes over the air AM/FM radio broadcasts
Edison Research Share of Ear ® 2019

Share of Ear

Key Finding

Americans' 13-24 Daily Time Spent Listening to Audio Sources in Minutes: Over the Air AM/FM Radio



All Audio Streaming Sources includes pure plays such as Pandora, Spotify and others; YouTube for music and music videos only; Podcasts; online AM/FM radio streams

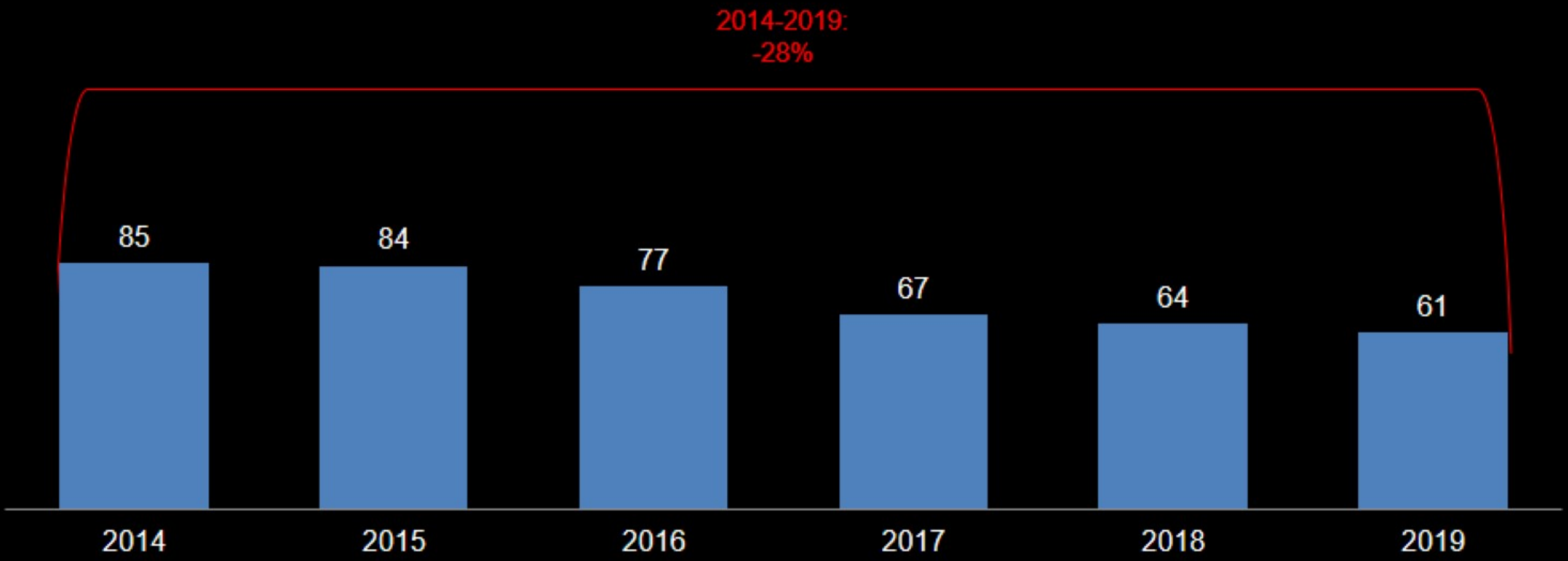
OTA AM/FM Radio includes over the air AM/FM radio broadcasts

Edison Research Share of Ear ® 2019

Share of Ear

Key Finding

Americans' 13-34 Daily Time Spent Listening to Audio Sources in Minutes: Over the Air AM/FM Radio



All Audio Streaming Sources includes pure plays such as Pandora, Spotify and others; YouTube for music and music videos only; Podcasts; online AM/FM radio streams

OTA AM/FM Radio includes over the air AM/FM radio broadcasts

Edison Research Share of Ear ® 2019

Share of Ear

Key Finding

Americans' 13+ Daily Time Spent Listening to Audio Sources in Minutes: All Audio Streaming Sources

All Audio Streaming Sources includes pure plays such as Pandora, Spotify and others; YouTube for music and music videos only; Podcasts; online AM/FM radio streams

OTA AM/FM Radio includes over the air AM/FM radio broadcasts

Edison Research Share of Ear ® 2019

Share of Ear

Key Finding

Americans' 13-24 Daily Time Spent Listening to Audio Sources in Minutes:
All Audio Streaming Sources

All Audio Streaming Sources includes pure plays such as Pandora, Spotify and others; YouTube for music and music videos only; Podcasts; online AM/FM radio streams

OTA AM/FM Radio includes over the air AM/FM radio broadcasts

Edison Research Share of Ear ® 2019

Share of Ear

Key Finding

Americans' 13-34 Daily Time Spent Listening to Audio Sources in Minutes: All Audio Streaming Sources

All Audio Streaming Sources includes pure plays such as Pandora, Spotify and others; YouTube for music and music videos only; Podcasts; online AM/FM radio streams

OTA AM/FM Radio includes over the air AM/FM radio broadcasts

Edison Research Share of Ear ® 2019

Share of Ear 2014-2019
All respondents 13+
edison research

	2014		2015		2016		2017		2018		2019			
	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening		Percent change in minutes listened between 2014 and 2019
Daily average minutes listened to **AM/FM over-the-air**	130.1	50.4%	123.3	48.2%	116.1	46.4%	109.2	43.8%	100.8	42.0%	95.2	41.1%		-27%
Daily average minutes listened to **SiriusXM**	15.5	6.0%	16.0	6.3%	16.0	6.4%	16.4	6.6%	17.5	7.3%	16.2	7.0%		5%
Daily average minutes listened to **All streaming audio sources (including AM/FM digital streams, Streaming Audio, Music on YouTube, and Podcasts)**	54.6	21.1%	61.7	24.1%	66.6	26.6%	72.5	29.1%	76.6	31.9%	78.9	34.0%		45%
Daily average minutes listened to **AM/FM digital streams**	6.8	2.6%	8.2	3.2%	8.7	3.5%	8.5	3.4%	8.8	3.7%	8.9	3.8%		31%
Daily average minutes listened to **Streaming Audio (Pandora/Spotify, etc.)**	28.7	11.1%	32.6	12.8%	34.6	13.8%	34.1	13.7%	34.1	14.2%	36.2	15.6%		26%
Daily average minutes listened to **Music on YouTube**	14.2	5.5%	15.5	6.1%	17.9	7.2%	22.8	9.2%	25.3	10.5%	25.0	10.8%		76%
Daily average minutes listened to **Podcasts**	4.9	1.9%	5.4	2.1%	5.4	2.2%	7.2	2.9%	8.4	3.5%	8.8	3.8%		79%
Daily average minutes listened to **Owned music**	42.4	16.4%	38.9	15.2%	35.7	14.3%	32.2	12.9%	29.2	12.2%	28.5	12.3%		-33%
Daily average minutes listened to **TV Music Channels (Music choice, etc.)**	12.9	5.0%	12.6	4.9%	11.5	4.6%	11.3	4.5%	11.3	4.7%	9.0	3.9%		-30%
Daily average minutes listened to **Some other type of audio**	2.9	1.1%	3.1	1.2%	3.9	1.6%	4.5	1.8%	4.8	2.0%	3.9	1.7%		34%

Share of Ear 2014-2019
Respondents 13-24
edison research

	2014		2015		2016		2017		2018		2019			
	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening		Percent change in minutes listened between 2014 and 2019
Daily average minutes listened to **AM/FM over-the-air**	85.4	28.3%	77.8	25.9%	63.8	22.8%	54.8	19.9%	53.1	20.3%	53.3	21.1%		-38%
Daily average minutes listened to **SiriusXM**	10.0	3.3%	7.9	2.6%	6.8	2.4%	6.6	2.4%	7.4	2.8%	9.6	3.8%		-4%
Daily average minutes listened to **All streaming audio sources (including AM/FM digital streams, Streaming Audio, Music on YouTube, and Podcasts)**	112.5	37.2%	121.7	40.6%	131.9	47.1%	141.9	51.6%	138.9	53.0%	124.7	49.5%		11%
Daily average minutes listened to **AM/FM digital streams**	4.3	1.4%	6.9	2.3%	7.2	2.6%	7.8	2.8%	8.2	3.1%	7.5	3.0%		72%
Daily average minutes listened to **Streaming Audio (Pandora/Spotify, etc.)**	53.8	17.8%	63.1	21.0%	67.6	24.1%	61.6	22.4%	66.9	25.5%	64.8	25.7%		20%
Daily average minutes listened to **Music on YouTube**	42.6	14.1%	40.7	13.6%	46.0	16.4%	58.3	21.2%	55.0	21.0%	43.1	17.1%		1%
Daily average minutes listened to **Podcasts**	11.8	3.9%	10.9	3.6%	11.1	4.0%	14.2	5.2%	8.8	3.3%	9.3	3.7%		-21%
Daily average minutes listened to **Owned music**	78.5	26.0%	71.7	23.9%	61.8	22.1%	51.7	18.8%	49.2	18.8%	52.9	21.0%		-33%
Daily average minutes listened to **TV Music Channels (Music choice, etc.)**	12.7	4.2%	16.0	5.3%	10.1	3.6%	10.0	3.7%	7.9	3.0%	7.6	3.0%		-40%
Daily average minutes listened to **Some other type of audio**	2.4	0.8%	4.9	1.6%	5.2	1.9%	10.3	3.8%	5.6	2.1%	4.3	1.7%		77%

Share of Ear 2014-2019
Respondents 13-34
edison research

	2014		2015		2016		2017		2018		2019			
	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening		Percent change in minutes listened between 2014 and 2019
Daily average minutes listened to **AM/FM over-the-air**	84.7	32.9%	84.2	30.6%	77.4	28.8%	67.3	25.2%	64.1	24.2%	61.0	24.2%		-28.0%
Daily average minutes listened to **SiriusXM**	11.1	4.3%	9.5	3.4%	9.8	3.6%	10.5	3.9%	10.2	3.8%	10.3	4.1%		-7.5%
Daily average minutes listened to **All streaming audio sources (including AM/FM digital streams, Streaming Audio, Music on YouTube, and Podcasts)**	85.3	33.1%	108.3	39.3%	116.1	43.2%	126.0	47.2%	128.3	48.4%	124.6	49.5%		46.1%
Daily average minutes listened to **AM/FM digital streams**	5.2	2.0%	8.5	3.1%	8.8	3.3%	8.8	3.3%	8.8	3.3%	8.4	3.4%		62.2%
Daily average minutes listened to **Streaming Audio (Pandora/Spotify, etc.)**	45.1	17.5%	56.7	20.6%	61.2	22.8%	57.6	21.6%	57.8	21.8%	57.9	23.0%		28.5%
Daily average minutes listened to **Music on YouTube**	27.8	10.8%	32.4	11.8%	35.7	13.3%	46.3	17.4%	50.7	19.1%	45.5	18.1%		63.6%
Daily average minutes listened to **Podcasts**	7.2	2.8%	10.6	3.8%	10.4	3.9%	13.3	5.0%	10.9	4.1%	12.7	5.1%		76.7%
Daily average minutes listened to **Owned music**	63.4	24.6%	57.9	21.0%	51.2	19.0%	44.9	16.8%	45.7	17.2%	44.4	17.6%		-30.0%
Daily average minutes listened to **TV Music Channels (Music choice, etc.)**	10.6	4.1%	12.1	4.4%	9.2	3.4%	10.0	3.8%	12.1	4.6%	7.7	3.0%		-27.4%
Daily average minutes listened to **Some other type of audio**	2.3	0.9%	3.6	1.3%	3.6	1.3%	4.2	1.6%	2.0	0.7%	1.0	0.4%		-55.6%

Share of Ear 2014-2019 Car listening All respondents 13+ edison research													
	2014		2015		2016		2017		2018		2019			
	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening		Percent change in minutes listened between 2014 and 2019
Daily average minutes listened to **AM/FM** in the car	52.5	68.6%	51.0	70.5%	51.0	70.2%	49.8	69.0%	46.5	66.6%	43.8	65.4%		-16.7%
Daily average minutes listened to **SiriusXM** in the car	10.6	13.8%	11.0	15.2%	10.7	14.7%	10.9	15.1%	11.9	17.1%	11.4	17.1%		8.3%
Daily average minutes listened to **Streaming Audio (Pandora, Spotify, etc.)** in the car	1.6	2.1%	2.0	2.7%	2.3	3.2%	2.7	3.8%	3.1	4.4%	2.8	4.2%		76.1%
Daily average minutes listened to **Music on YouTube** in the car	0.3	0.4%	0.3	0.3%	0.3	0.4%	0.6	0.8%	1.1	1.5%	1.1	1.6%		255.0%
Daily average minutes listened to **Podcasts** in the car	0.4	0.6%	0.6	0.8%	0.6	0.9%	1.0	1.4%	0.9	1.3%	1.2	1.8%		176.7%
Daily average minutes listened to **Owned music** in the car	11.0	14.3%	8.5	11.8%	7.2	9.8%	6.2	8.6%	5.6	8.0%	6.1	9.1%		-44.5%
Daily average minutes listened to **Some other type of audio** in the car	0.1	0.2%	0.2	0.3%	0.5	0.7%	1.1	1.5%	0.7	1.0%	0.5	0.7%		253.2%

Share of Ear 2014-2019
Car listening
Respondents 13-24
edison research

	2014		2015		2016		2017		2018		2019			
	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening		Percent change in minutes listened between 2014 and 2019
Daily average minutes listened to **AM/FM** in the car	39.9	63.1%	41.1	64.1%	36.2	62.0%	31.0	59.6%	31.9	57.5%	25.9	51.1%		-35.0%
Daily average minutes listened to **SiriusXM** in the car	6.2	9.7%	4.8	7.5%	4.5	7.7%	4.4	8.5%	4.2	7.5%	6.2	12.2%		0.4%
Daily average minutes listened to **Streaming Audio (Pandora, Spotify, etc.)** in the car	3.9	6.2%	4.7	7.3%	5.5	9.4%	4.8	9.3%	7.2	13.0%	5.6	11.1%		43.2%
Daily average minutes listened to **Music on YouTube** in the car	0.8	1.3%	0.8	1.2%	0.7	1.3%	1.4	2.6%	2.9	5.3%	1.8	3.6%		116.9%
Daily average minutes listened to **Podcasts** in the car	0.2	0.3%	0.9	1.5%	0.9	1.6%	0.8	1.6%	0.9	1.5%	1.3	2.6%		646.9%
Daily average minutes listened to **Owned music** in the car	12.2	19.3%	11.8	18.4%	10.2	17.5%	8.8	16.9%	7.6	13.6%	9.6	19.0%		-21.0%
Some other type of audio in the car	0.0	0.0%	0.1	0.1%	0.4	0.6%	0.7	1.3%	0.8	1.4%	0.2	0.4%		

Share of Ear 2014-2019
Daily average minutes listened to in the car
Respondents 13-34
edison research

Total minutes listened	2014		2015		2016		2017		2018		2019			
	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening	Daily average minutes	Average share of listening		Percent change in minutes listened between 2014 and 2019
Daily average minutes listened to **AM/FM** in the car	48.6	68.4%	46.0	67.8%	45.3	66.5%	39.8	63.7%	37.3	60.5%	32.2	56.9%		-33.7%
Daily average minutes listened to **SiriusXM** in the car	7.2	10.2%	5.9	8.7%	5.8	8.5%	5.4	8.7%	5.9	9.6%	6.5	11.5%		-10.0%
Daily average minutes listened to **Streaming Audio (Pandora, Spotify, etc.)** in the car	2.8	4.0%	3.8	5.7%	5.0	7.3%	5.4	8.7%	6.0	9.8%	4.8	8.5%		69.2%
Daily average minutes listened to **Music on YouTube** in the car	0.5	0.8%	0.5	0.8%	0.7	1.1%	1.3	2.1%	2.7	4.4%	2.3	4.1%		328.6%
Daily average minutes listened to **Podcasts** in the car	0.5	0.7%	1.1	1.6%	1.1	1.7%	1.4	2.3%	1.1	1.8%	2.0	3.6%		338.7%
Daily average minutes listened to **Owned music** in the car	11.4	16.0%	10.4	15.4%	9.7	14.3%	8.6	13.8%	8.0	13.0%	8.3	14.7%		-26.8%
Daily average minutes listened to **Some other type of audio** in the car	0.0	0.0%	0.1	0.1%	0.4	0.6%	0.5	0.8%	0.6	0.1%	0.4	0.7%		

Share of Ear 2014-2019
Listening to over-the-air AM/FM radio
edison research

	All respondents 13+	Age 13-24	Age 13-34
Did not listen to over-the-air AM/FM radio	33.4%	42.8%	42.9%
Listened for 15 minutes	2.4%	2.6%	2.2%
Listened for 30 minutes	8.4%	12.4%	11.5%
Listened for 45 minutes	6.0%	7.0%	6.4%
Listened for one hour	7.6%	8.4%	7.3%
Listened for more than 1 hour - 2 hours	19.2%	18.8%	18.9%
Listened for more than 2 hours - 3 hours	8.4%	3.5%	5.0%
Listened for more than 3 hours - 4 hours	5.0%	1.8%	1.6%
Listened for more than 4 hours - 5 hours	2.7%	1.2%	0.9%
Listened for more than 5 hours - 6 hours	1.5%	0.1%	0.7%
Listened for more than 6 hours	5.4%	1.5%	2.6%
Listened to over-the-air AM/FM radio at all during their diary day	66.6%	57.2%	57.1%
Listened to over-the-air AM/FM radio for 30 minutes or less	44.2%	57.8%	56.6%
Listened to over-the-air AM/FM radio for more than 30 minutes	55.8%	42.2%	43.4%
Listened to over-the-air AM/FM radio for one hour or less	57.8%	73.1%	70.4%
Listened to over-the-air AM/FM radio for more than one hour	42.2%	26.9%	29.6%

EXHIBIT B

Statistical Data from Borrell Associates

INTRODUCTION

We were asked to provide data and analysis on fragmentation among local media channels across the U.S. For the purposes of this report, we have focused exclusively on our area of expertise, local advertising. This is the primary source of funding for broadcast, print, outdoor, and digital media, representing 40% to 100% of total revenue.[1] For radio stations, local advertising typically represents 75% to 100% of operating revenue.

The research cited in this document comes from four principal sources:

1. **Borrell's database of advertising and marketing expenditures** for all businesses within every U.S. market. This database is used by hundreds of media companies, ad agencies, trade associations, investors, and ad buyers to track, analyze, and forecast advertising and marketing expenditures in individual markets. More information can be accesses at www.adspending.com.
2. **Borrell's surveys of local advertisers buying habits and intent**. The annual survey is the largest survey of local advertisers in the nation.
3. **Borrell's database of digital advertising *receipts*** for more than 10,000 local media entities that are selling digital advertising. This is paired with Borrell's database of ad *spending* to show the actual recipients of digital advertising in each U.S. market.
4. **BLS data, SEC filings, company reports and presentations, and other publicly available and purchased research** required to support Borrell's ongoing data-collection efforts.

Borrell Associates has been tracking, analyzing, and forecasting local advertising for 18 years. It was founded as a data-based company that disrupted traditional ways of tracking advertising expenditures. Unlike other ad-trackers that start with advertising receipts from handful of known media entities in a market, Borrell uses a holistic "bottom-up" methodology that starts with spending records from all businesses. Information is gleaned from IRS tax records, BLS, USPS, Dun & Bradstreet, InfoUSA, and other data points. Borrell tracks and forecasts advertising expenditures in all 3,007 U.S. counties across 11 advertising channels (newspapers, magazines, yellow pages, online, direct mail, cable, out of home, cinema, TV, radio, and telemarketing). Its market-level data currently has approximately 3,000 subscribers.

The company's data and insights are cited frequently in *The Wall Street Journal*, CNN, MSNBC, Ad Age, MediaPost, TV NewsCheck, Radio Ink magazine, and many online publications. Borrell is asked to deliver keynote addresses and presentations at company events and conferences approximately 30 times per year. The company's research has been widely used by trade associations, including by the American Association of Advertising Agencies, the Television Bureau of Advertising, the Radio Advertising Bureau, the Media Financial Management Association.

[1] TV broadcasters receive 30-50% of gross operating revenue from cable retransmission fees, and daily newspaper companies receive 30%-60% of gross revenue from subscriptions.

EXECUTIVE SUMMARY

The meteoric rise of digital advertising over the past five years has forged a new reality for local media companies heavily dependent on advertising to support their operations. Whereas the first wave of disruption in the 2000s affected mostly print-based media, this second wave is disrupting broadcast media as the Internet morphs from a "read" medium into one that is viewed and heard.

The audience shift has disrupted the lifeblood of media companies that have served local markets for generations. Local businesses have trimmed print and broadcast advertising budgets to fund new, cheaper, and more targeted marketing within an ever-expanding array of digital offerings. In an attempt to compete, broadcast, print, and outdoor media companies have quietly expanded, mostly with niche or hyperlocal products. Today, the average TV market offers 126 individual local media channels for advertisers to choose from, including multiple daily and weekly newspapers, AM and FM radio stations, local TV channels, yellow page books, city magazines, and other locally based media. The figure does not include the scores of out-of-market Internet sites and apps that local businesses have also begun to utilize as marketing channels.[2]

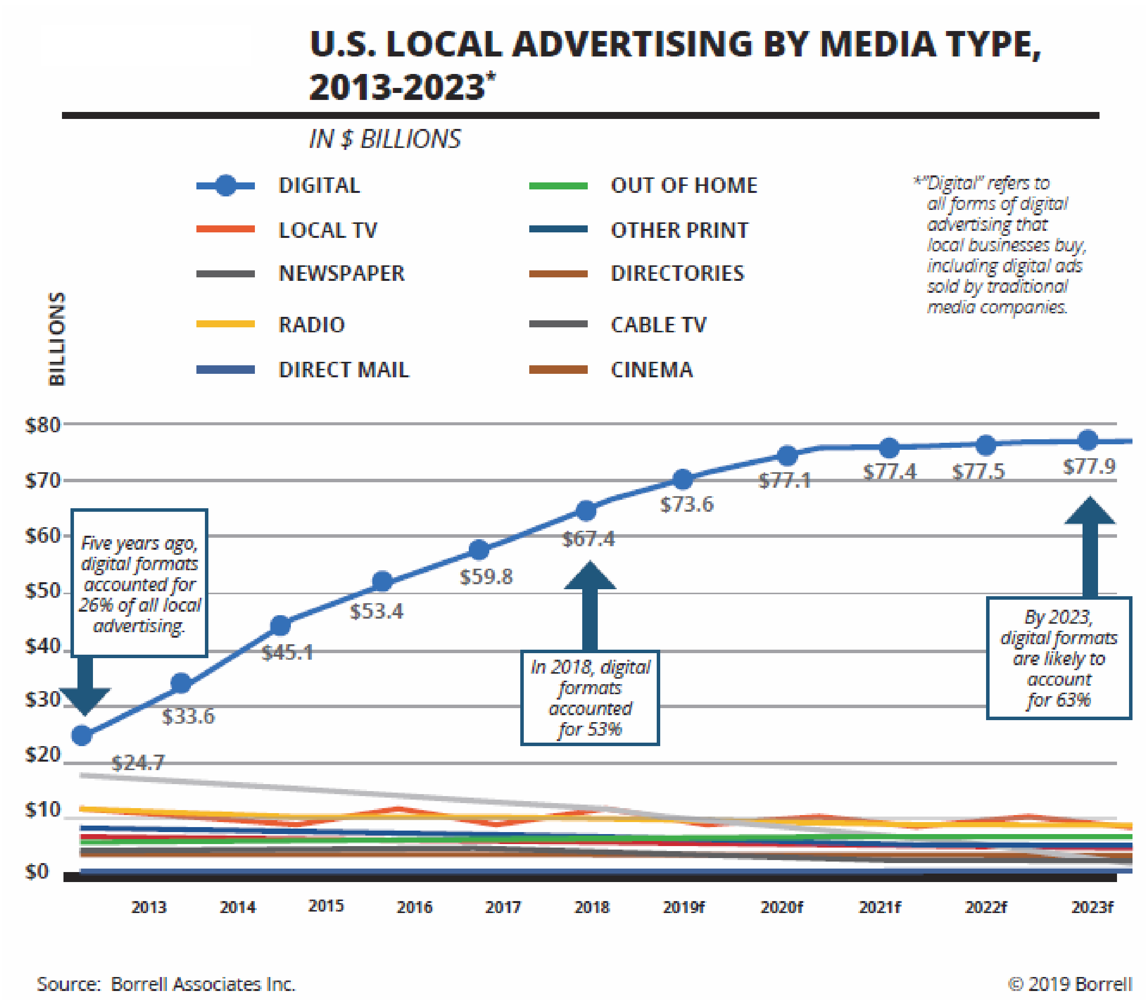
Meanwhile, the clear advantage goes to multibillion-dollar digital companies such as Google, Facebook, and Amazon, which can utilize vast amounts of personalized user data to expand channel offerings without government regulation. As a result, digital media's share of local advertising has grown from 26% five years ago to 53% at the end of 2018. By 2023, no locally-based media entity will have more than a 6% share of local advertising, while digital media – 70% of which is controlled by three companies – is likely to account for 63%.

The swift growth and popularity of social media, particularly Facebook and Instagram, has had perhaps the greatest effect on radio, which considers itself "the original social media channel." Radio's collective share of local advertising has slipped into the single digits; for individual stations, the share can be less than 1% of total advertising.

[2] Source: FCC, trade associations, Borrell

LOCAL ADVERTISING ASSESSMENT

By the end of 2018, local businesses had spent $126.3 billion on advertising. The total hasn't changed much in recent years. In fact, there's evidence – notably in IRS tax reporting for large and small corporations – that businesses have been spending less money on classic forms of "advertising" as a percentage of total gross revenues in the past 15 years and more on internally controlled "owned" media such as their own websites and social media pages.[3] Of the $126.3 billion spent in 2018, more than half, or $67.4 billion, went to digital media, which has been consuming market share at the expense of traditional forms of local media. Annual growth rates for digital advertising haven't seen single digits since 2008. We expect digital advertising to plateau at about a 63% share of local advertising, by 2020, when it should hit and hold at about $77 billion through 2023.

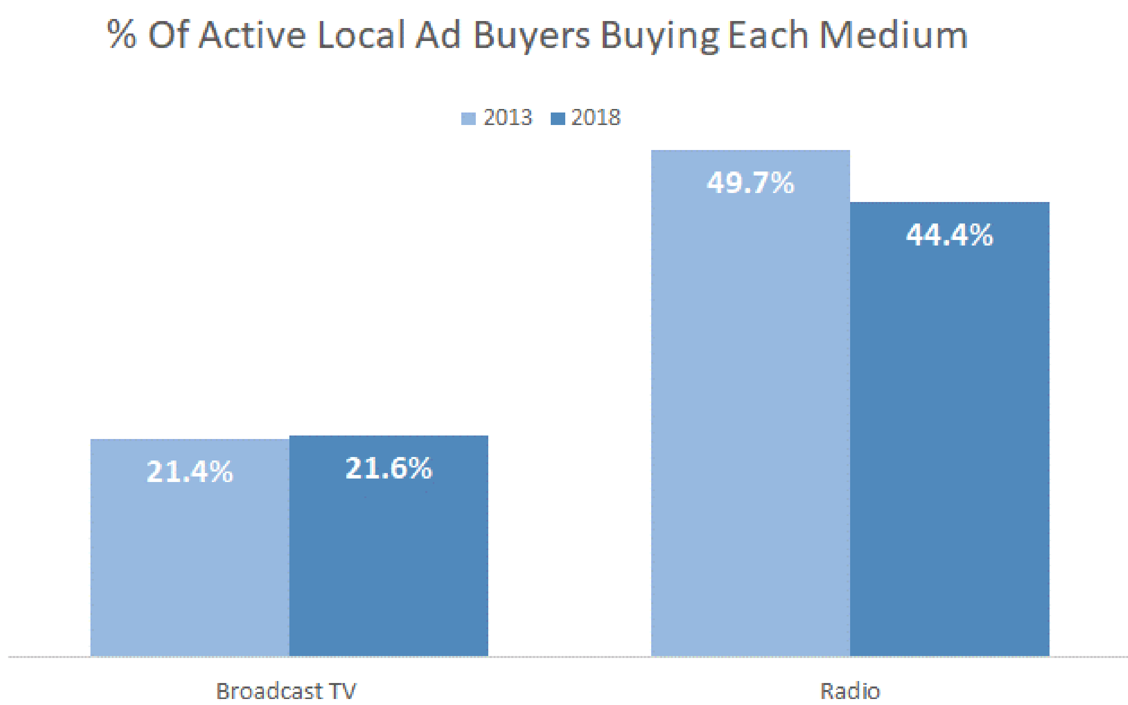


The past five years have been particularly difficult for print and broadcast media, which continue to see diminishing shares of a space that was once the exclusive domain of companies that had a physical presence (printing press, broadcast tower, sales office) in that market. The share of local advertising expenditures going to out-of-market digital media companies doubled between 2013 and 2018. Growth in that period was fueled mostly by Facebook's late 2012 rollout of a do-it-yourself advertising program that made buying ads simple and inexpensive for local businesses. Since then, Facebook blossomed into the most popular form of local marketing,

[3] Source: IRS, Pivotal Research

used by more local businesses than any other type of advertising media.[4] Even at the peak of the yellow pages industry, when every local business of note seemed to have an ad in the local directory, not as many businesses were doing so at the rate of participation that Facebook currently enjoys.

Facebook's biggest victim may be radio – which calls itself "the original social medium." Facebook mimics the attributes of radio, giving advertisers access to affinity groups that were once chiefly the domain of radio's music genres (country music fans, sports talk fans, hip hop fans, oldies' fans, etc.). Our survey of 1,717 radio advertising buyers at midyear 2018 showed that 87% of them were buying social media advertising, compared with 73% of all advertisers. Fifty-seven percent of radio ad buyers said they planned to increase their social media spending in 2019, with only 2% saying they planned to cut it. From our research, we have concluded that local advertisers see radio and digital advertising as substitutes – shifting dollars back and forth between these media for various reasons. Conversely, 16% said they planned to increase radio advertising, with 25% saying they plan to cut. Additionally, we noticed that fewer local businesses are buying radio: Since 2013, where was a 5.3-point drop in the percentage of local businesses who say they buy radio advertising. TV, meanwhile, maintained its appeal to local advertisers during that period.



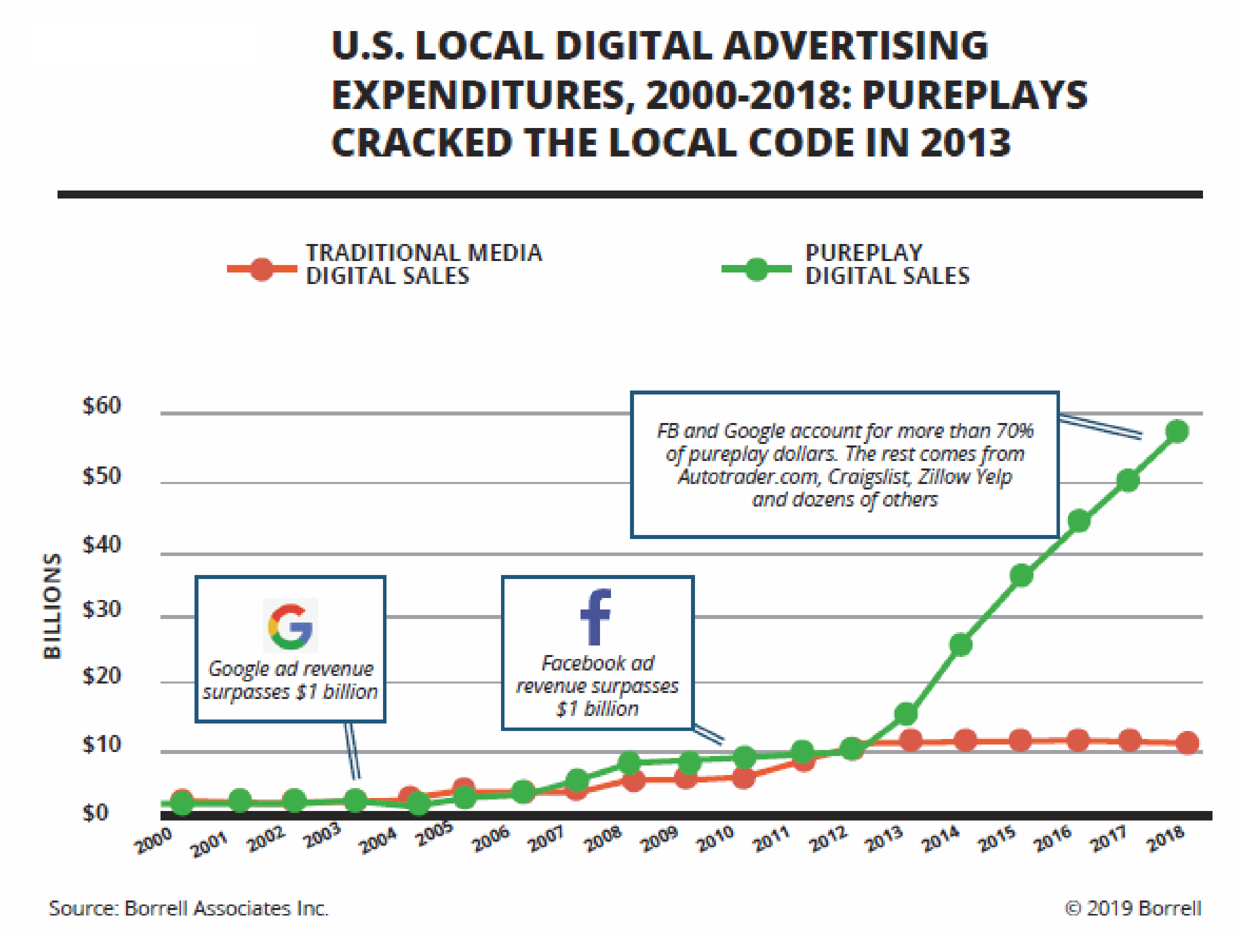
Source: Borrell's 2013 and 2018 Local Advertiser Surveys © 2018 Borrell Inc.

Facebook's dominance happened fast. Since 2013, it reported 24 consecutive quarters of revenue growth above 30%, with most year-over-year quarterly growth above 50%. Google also experienced strong growth, with quarterly YOY increases of 20% for 15 of the past 24 quarters.

Radio is not the only medium affected over the past 5 years. Advertising market share has shifted at the expense mostly of print media. Newspapers, magazines, yellow pages and direct mail lost 19 points from 2013 to 2018,

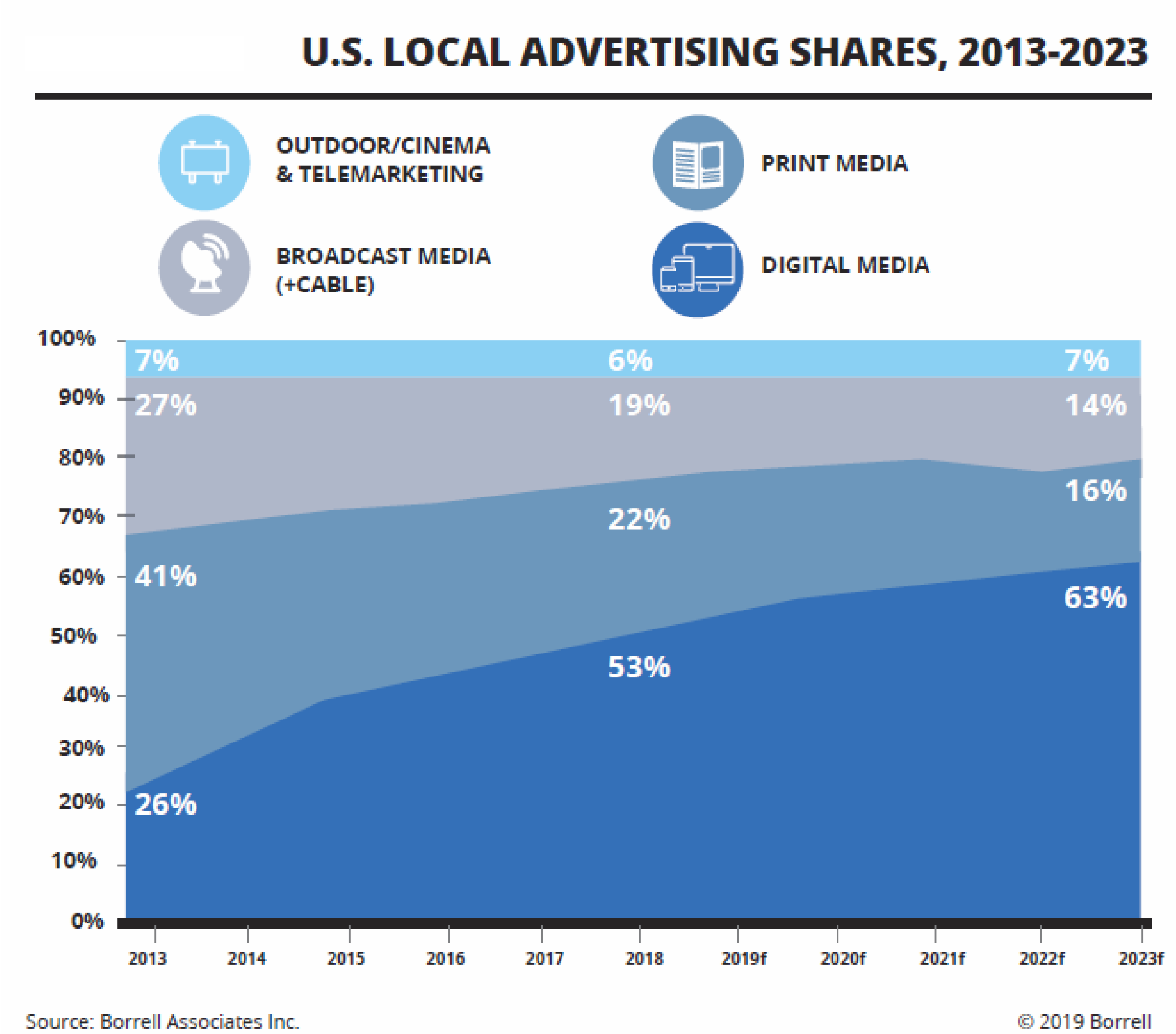
[4] Source: Borrell's 2018 Local Advertiser Survey; 91% of 3,860 local ad-buyers surveyed said they use Facebook, with 82% reporting they buy ads on Facebook. The next-highest percentage was for those using email marketing (57%). All other media, including traditional types of media and search advertising, had lower participation rates.

while digital media gained 27 points of advertising share. The loss for radio and TV was 8 points, larger than in previous years.

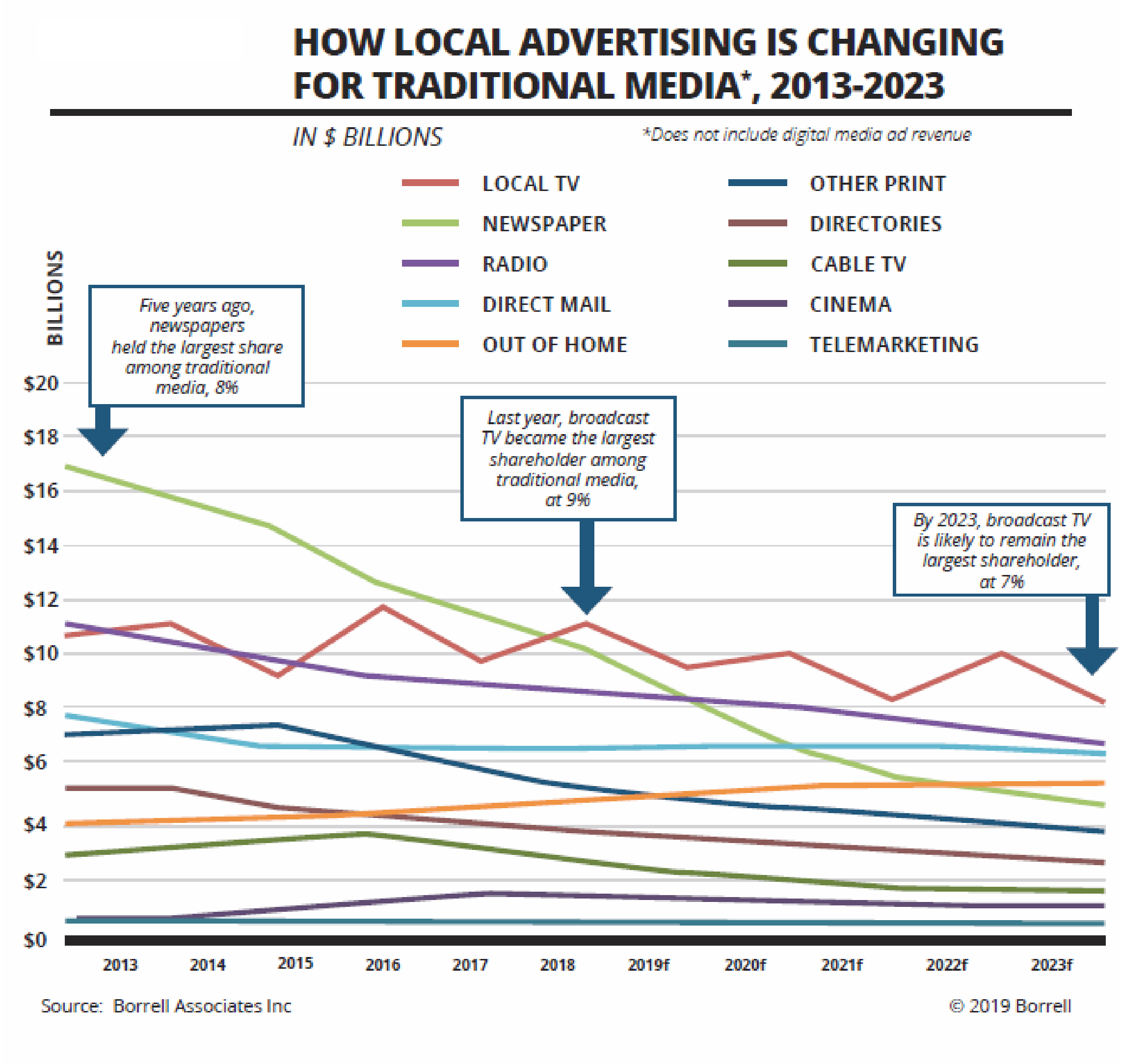


The disruption to broadcast media, we believe, has only just begun. Since 2012, Internet access speeds have increased six-fold, transforming the digital audience from "readers" into listeners and viewers.[5] As this new wave of distribution of audio and video content shifts to digital channels, we're forecasting an additional 5-point decline for TV and radio.

[5] Sources: FCC, NCTA; based on actual average download speeds of 15 mbps in 2012 and 94 mbps in 2018.



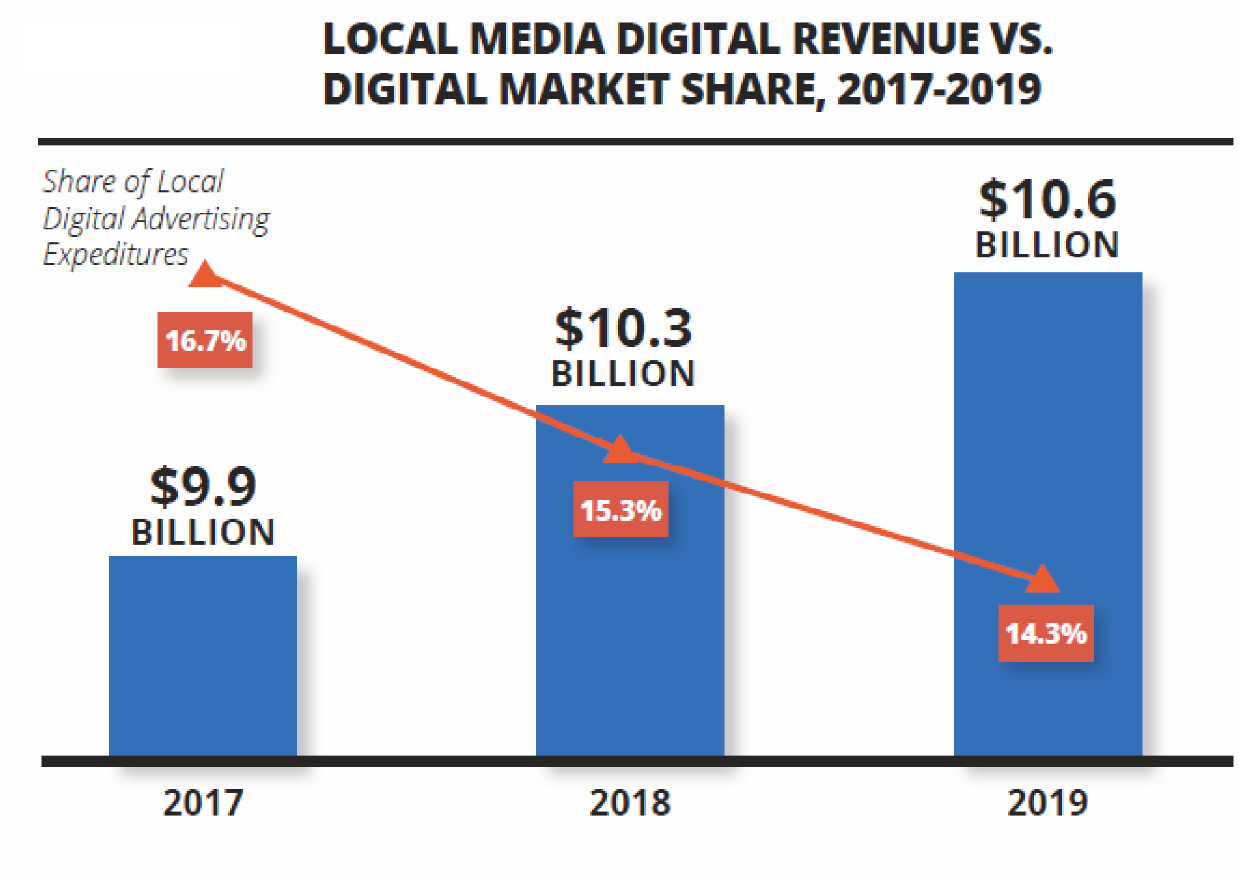
Examining the traditional media channels separately, we found that broadcast TV became the largest advertising shareholder in 2018 and that radio is likely to become the second-largest traditional media category next year. The fact that political advertising hasn't yet migrated so heavily to digital media has certainly helped broadcast TV. In 2018, political spending on broadcast TV outlets totaled $3.5 billion in 2018, or 39% of all political advertising. Radio isn't a particularly large beneficiary of political advertising. It's 2018 take was $689 million, or 7.7%.



When describing the encroachment of digital media on print and broadcast media's turf, it's important to note that it's not exactly "us vs. them." Today, nearly 80% of the army of 60,000 local ad-sales reps sell some sort of digital advertising or marketing service in tandem with their print, broadcast, outdoor, and cable offerings.[6]

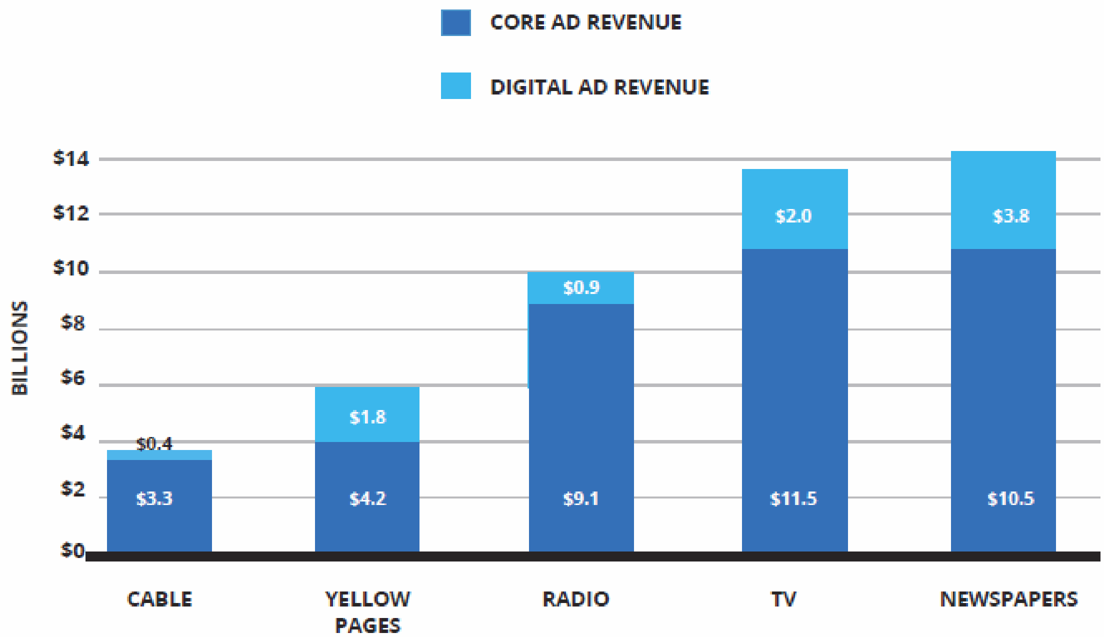
In 2018, these home-grown efforts drove $10.3 billion in digital ad sales, or 15.3% of all locally spent digital advertising. This involves selling banner ads on their websites or inserting audio or video spots in the multimedia streams that can be found on their websites or apps. While sales have been growing, they haven't kept pace with the rate at with local businesses have been increasing their spending. In 2017, local media's share of all digital advertising expenditures was 16.7%. By the end of 2019 we expect it to be 14.3%. In short, their clients are buying digital advertising from other sources at a higher rate, further eroding overall market share for traditional local media companies. The remaining shares are split between Facebook and Google (totaling about 72%) and other Internet "pureplay" companies such as Craigslist, Autotrader.com, HomeAdvisor, Yelp, Pandora, Cars.com, and others (totaling about 14%).

[6] Sources: U.S. Bureau of Labor Statistics (2017 data); Borrell



These digital ad sales have bolstered their core-product sales, adding anywhere from 9% to 30% in ad revenue for the average cable, radio, TV, yellow page, or newspaper company. Newspapers continue to weigh in with the largest amount of digital revenue, $3.8 billion in 2019. The ratio of digital sales to core-product sales varies by type of media. Print media have the greatest ratios, while broadcast and cable media are lower. The chart on the next page show the amounts of digital ad sales relative to core-product sales for each medium, while the table below that lists the percentage of total sales attributable to digital advertising for 26 publicly held companies, plus the averages for each type of media.

DIGITAL'S CONTRIBUTION TO TRADITIONAL MEDIA AD SALES



Source: Borrell Associates Inc

PERCENTAGE OF AD REVENUE FROM DIGITAL SALES FOR U.S. & CANADIAN LOCAL MEDIA COMPANIES, 2018

Company	% from Digital Advertising
Hibu U.S. *(yellow pages)*	74.7%
Yellow Pages Ltd. *(Canada)*	73.4%
DexYP *(yellow pages)*	52.0%
McClatchy *(newspapers)*	43.8%
New York Times *(newspaper)*	42.4%
AH Belo *(newspaper)*	41.1%
Townsquare *(radio)*	35.4%
Gannett *(newspapers)*	32.4%
Lee Enterprises *(newspapers)*	31.8%
Postmedia *(newspapers)*	29.8%
Entravision *(radio & TV)*	28.6%
Harte Hanks *(direct mail)*	26.3%
GateHouse *(newspapers)*	23.9%

Company	% from Digital Advertising
Tribune *(newspapers)*	22.0%
Torstar *(community newspapers/Canada)*	20.3%
Torstar *(metro newspapers/Canada)*	19.2%
Nexstar *(television)*	17.8%
TEGNA *(television)*	17.8%
Urban One *(radio)*	13.7%
Salem Communications* *(radio)*	16.0%
Emmis Communications *(radio)*	8.9%
Beasley Broadcasting *(media)*	6.4%
FP Newspapers *(Canada)*	5.3%
Tribune Media *(television)*	5.2%
Cumulus *(radio)*	5.0%
Meredith *(television)*	2.8%

INDUSTRY AVERAGES *(Not restricted to companies listed above)*			
Yellow Pages Companies	29.9%	Radio Broadcasters	8.8%
Newspaper Companies	26.6%	TV Broadcasters	14.8%

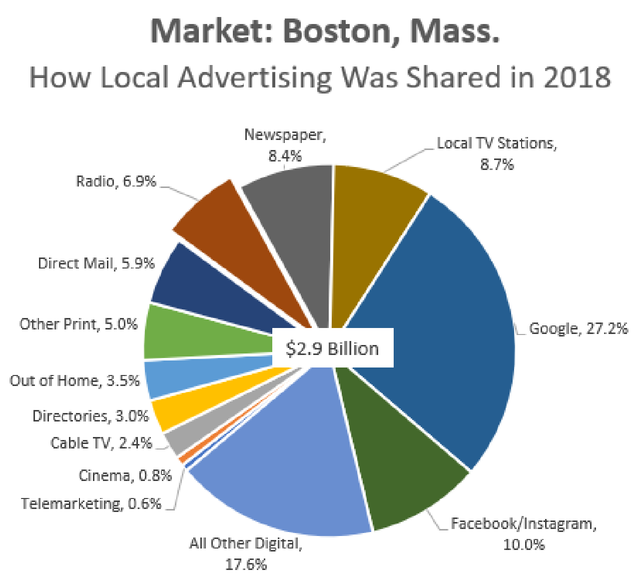
Sources: SEC documents, company statements and Borrell Associates estimates; some data for Q1-3 only
*Includes Salem's non=radio ventures; radio-only percentage is 10.2%

Another factor affecting locally-based media companies is the growth of *in-market* competition over the past several decades. Responding to the need to create more specialized products in the 1990s and 2000s, newspapers, telephone directories, magazines, radio stations, TV stations, and outdoor venues expanded their offerings broadly. While much has been written about the demise of the local newspaper industry, 93% of the daily newspapers that existed 20 years ago are still publishing today. Here is an estimate of the total number of advertising-supported media entities across the U.S.:[7]

- 1,300 daily newspapers
- 6,500 weekly newspapers
- 4,700 yellow page books
- 4,665 AM radio stations
- 6,757 commercial FM stations
- 1,760 Class A TV stations
- More than 1,000 cable systems with local sales staffs

The total comes to 26,682, or 126 media outlets for every TV market. Radio stations represent 43% of that total.

The fragmentation of local media represents its breakdown from what was once a small collection of "mass" media to a large collection of niches. It hasn't however, made them more competitive. We chose the Boston TV market as an example. If you add the advertising share for all 17 TV stations, 25 AM radio stations, 28 FM stations, 3 daily newspapers, 47 weekly newspapers, 5 city magazines, and all other non-digital types of media, their collective advertising share is less than what digital media carves out of the Boston market. The largest single traditional media serving the Boston market is likely to be *The Boston Globe*, with a 5% market share. All other companies – even those that own multiple channels – are likely to get less than 4% of in-market advertising.[8]



For further analysis, we've selected 11 markets ranging from the largest to the smallest. The accompanying Excel spreadsheet lists advertising expenditures in those markets for 11 different types of media (TV, radio, newspaper, digital, etc.), for the years 2013 through 2018. On average, the amount spent on digital media increased 173% in those markets, taking the most significant slices from newspapers, directories, radio and magazines, all of which saw double-digit declines.

[7] Sources: News Media Alliance, FCC, Association of Directory Publishers, NCTA, Borrell Associates

[8] The Boston Business Journal estimated *The Boston Globe* had $225 to $250 million in gross revenue in 2018; it's reasonable to assume that 60% of this would be local advertising, or $145 million.

SUMMARY AND CONCLUSIONS

Locally based media companies are struggling to survive in an unprecedented time. While print and broadcast media operate under ownership restrictions, unregulated national media companies have reached into local markets and carved away more than half of their advertising market share. TV and radio broadcasters and print media have attempted to adapt to this new digital environment, but digital distribution of local audio, video, and written content yields significantly less advertising revenue than their traditional distribution channels. Further, digital distribution of their content erodes their richer core audiences.

Local media's mission is to not only inform and educate the public, but to also provide a voice for local entrepreneurs and business owners for their products and services. As media channels struggle, those local businesses suffer perhaps even more as they watch online retailers such as Amazon Marketplace, Alibaba, eBay, and Shopify erode their business.

The rules governing media ownership at the local level are antiquated. They have given national Internet media an unfair advantage. Data-driven digital media has quietly been able to become "local" by collecting geolocation and other personal data about their user base and visitors. Within five years, Google, Facebook, and Amazon will have crimped off nearly two-thirds of the flow of locally spent advertising dollars – the lifeblood of local print and broadcast media.

We believe that a revision of ownership rules is in order. It has the potential to put local media on a more competitive footing with the Internet giants, which ultimately serves local interests.

U.S. LOCAL ADVERTISING EXPENDITURES BY MEDIUM, 2013-2018

Source: Borrell Associates Inc. *$ in Millions*

DMA	DCODE	Year	Digital	Local TV	Newspapers	Local Radio	Direct Mail	Out of Home	Other Print	Directories	Cable TV	Cinema	Telemarketing
New York NY	501	2013	$ 1,945.72	$ 835.85	$ 1,261.23	$ 836.43	$ 573.90	$ 322.76	$ 683.20	$ 351.80	$ 288.13	$ 43.84	$ 60.28
New York NY	501	2014	$ 2,646.00	$ 860.48	$ 1,178.00	$ 789.61	$ 557.28	$ 322.59	$ 687.23	$ 344.44	$ 305.32	$ 51.68	$ 61.36
New York NY	501	2015	$ 3,534.05	$ 755.27	$ 1,087.99	$ 738.86	$ 522.49	$ 327.20	$ 680.91	$ 315.83	$ 302.41	$ 63.87	$ 62.29
New York NY	501	2016	$ 4,166.61	$ 905.59	$ 937.76	$ 716.10	$ 501.37	$ 337.97	$ 622.11	$ 300.89	$ 320.33	$ 74.99	$ 61.24
New York NY	501	2017	$ 4,648.41	$ 749.73	$ 832.22	$ 682.38	$ 495.86	$ 348.51	$ 548.24	$ 282.21	$ 310.90	$ 80.38	$ 59.87
New York NY	501	2018	$ 5,219.16	$ 856.22	$ 761.78	$ 660.14	$ 495.24	$ 362.24	$ 494.23	$ 256.17	$ 271.77	$ 80.48	$ 59.37
5-year Change			168%	2%	-40%	-21%	-14%	12%	-28%	-27%	-6%	84%	-2%
Tulsa OK	671	2013	$ 93.52	$ 47.01	$ 72.38	$ 45.66	$ 33.71	$ 16.80	$ 25.80	$ 24.25	$ 15.27	$ 4.09	$ 3.13
Tulsa OK	671	2014	$ 126.72	$ 48.56	$ 67.78	$ 43.34	$ 32.72	$ 16.90	$ 25.86	$ 23.83	$ 16.49	$ 4.80	$ 3.19
Tulsa OK	671	2015	$ 171.04	$ 43.04	$ 63.15	$ 41.02	$ 30.81	$ 17.68	$ 25.69	$ 22.00	$ 16.25	$ 6.02	$ 3.25
Tulsa OK	671	2016	$ 203.30	$ 52.06	$ 55.02	$ 40.18	$ 29.79	$ 17.98	$ 23.66	$ 21.14	$ 17.62	$ 6.96	$ 3.23
Tulsa OK	671	2017	$ 228.88	$ 43.58	$ 50.93	$ 38.70	$ 29.67	$ 18.66	$ 20.96	$ 19.95	$ 17.08	$ 7.46	$ 3.17
Tulsa OK	671	2018	$ 257.82	$ 50.10	$ 45.30	$ 37.66	$ 29.78	$ 19.47	$ 18.95	$ 18.14	$ 15.31	$ 7.46	$ 3.16
5-year Change			176%	7%	-37%	-18%	-12%	16%	-27%	-25%	0%	82%	1%
Sacramento-Stockton-Modesto CA	862	2013	$ 275.31	$ 117.68	$ 192.79	$ 125.16	$ 91.75	$ 50.73	$ 93.13	$ 61.54	$ 34.41	$ 9.07	$ 8.66
Sacramento-Stockton-Modesto CA	862	2014	$ 373.65	$ 121.07	$ 179.32	$ 118.07	$ 88.99	$ 50.43	$ 93.30	$ 60.58	$ 36.96	$ 10.61	$ 8.79
Sacramento-Stockton-Modesto CA	862	2015	$ 501.77	$ 106.91	$ 166.39	$ 111.08	$ 83.91	$ 51.75	$ 92.98	$ 55.93	$ 36.51	$ 13.20	$ 8.97
Sacramento-Stockton-Modesto CA	862	2016	$ 594.09	$ 128.81	$ 144.16	$ 108.20	$ 80.83	$ 53.08	$ 85.42	$ 53.55	$ 39.29	$ 15.32	$ 8.86
Sacramento-Stockton-Modesto CA	862	2017	$ 664.53	$ 107.34	$ 132.14	$ 103.55	$ 80.23	$ 54.67	$ 75.50	$ 50.40	$ 38.10	$ 16.35	$ 8.69
Sacramento-Stockton-Modesto CA	862	2018	$ 748.99	$ 123.09	$ 117.48	$ 100.42	$ 80.34	$ 56.68	$ 68.17	$ 45.78	$ 34.27	$ 16.31	$ 8.64
5-year Change			172%	5%	-39%	-20%	-12%	12%	-27%	-26%	0%	80%	0%
Austin TX	635	2013	$ 168.59	$ 64.95	$ 96.29	$ 69.65	$ 49.88	$ 44.70	$ 50.34	$ 34.91	$ 19.03	$ 5.58	$ 4.85
Austin TX	635	2014	$ 232.94	$ 67.95	$ 91.10	$ 66.80	$ 49.12	$ 44.96	$ 51.28	$ 34.86	$ 20.74	$ 6.58	$ 5.00
Austin TX	635	2015	$ 314.08	$ 60.14	$ 84.66	$ 63.04	$ 46.38	$ 45.94	$ 51.23	$ 32.37	$ 20.60	$ 8.17	$ 5.10
Austin TX	635	2016	$ 372.95	$ 72.63	$ 73.64	$ 61.56	$ 44.84	$ 47.08	$ 47.20	$ 31.07	$ 22.28	$ 9.46	$ 5.05
Austin TX	635	2017	$ 418.86	$ 60.68	$ 66.45	$ 59.09	$ 44.70	$ 48.44	$ 41.89	$ 29.34	$ 21.60	$ 10.09	$ 4.97
Austin TX	635	2018	$ 474.32	$ 69.85	$ 60.73	$ 57.56	$ 45.00	$ 50.14	$ 38.04	$ 26.77	$ 19.44	$ 10.04	$ 4.97
5-year Change			181%	8%	-37%	-17%	-10%	12%	-24%	-23%	2%	80%	3%
Huntsville-Decatur (Florence) AL	691	2013	$ 60.24	$ 30.28	$ 46.96	$ 29.87	$ 20.71	$ 12.27	$ 16.44	$ 16.36	$ 9.37	$ 3.18	$ 2.03
Huntsville-Decatur (Florence) AL	691	2014	$ 81.77	$ 31.12	$ 43.62	$ 28.14	$ 20.05	$ 12.20	$ 16.43	$ 16.05	$ 10.09	$ 3.74	$ 2.07
Huntsville-Decatur (Florence) AL	691	2015	$ 109.90	$ 27.42	$ 40.41	$ 26.41	$ 18.85	$ 12.47	$ 16.31	$ 14.82	$ 9.89	$ 4.64	$ 2.11
Huntsville-Decatur (Florence) AL	691	2016	$ 130.10	$ 33.00	$ 34.96	$ 25.73	$ 18.15	$ 12.78	$ 14.96	$ 14.23	$ 10.65	$ 5.40	$ 2.09
Huntsville-Decatur (Florence) AL	691	2017	$ 145.46	$ 27.48	$ 31.64	$ 24.62	$ 18.01	$ 13.16	$ 13.22	$ 13.43	$ 10.28	$ 5.78	$ 2.05
Huntsville-Decatur (Florence) AL	691	2018	$ 163.79	$ 31.43	$ 28.36	$ 23.84	$ 18.00	$ 13.67	$ 11.94	$ 12.21	$ 9.27	$ 5.79	$ 2.04
5-year Change			172%	4%	-40%	-20%	-13%	11%	-27%	-25%	-1%	82%	0%
Davenport IA-Rock Island-Moline IL	682	2013	$ 53.98	$ 25.69	$ 43.09	$ 25.97	$ 19.41	$ 10.48	$ 14.53	$ 14.46	$ 7.85	$ 3.72	$ 1.91
Davenport IA-Rock Island-Moline IL	682	2014	$ 72.94	$ 26.33	$ 39.98	$ 24.43	$ 18.73	$ 10.46	$ 14.51	$ 14.11	$ 8.42	$ 4.36	$ 1.93
Davenport IA-Rock Island-Moline IL	682	2015	$ 97.41	$ 23.15	$ 36.86	$ 22.84	$ 17.48	$ 10.64	$ 14.31	$ 12.89	$ 8.25	$ 5.33	$ 1.96
Davenport IA-Rock Island-Moline IL	682	2016	$ 114.75	$ 27.86	$ 31.89	$ 22.23	$ 16.81	$ 10.99	$ 13.11	$ 12.29	$ 8.90	$ 6.27	$ 1.92
Davenport IA-Rock Island-Moline IL	682	2017	$ 128.20	$ 23.25	$ 29.27	$ 21.30	$ 16.68	$ 11.41	$ 11.56	$ 11.54	$ 8.64	$ 6.74	$ 1.88
Davenport IA-Rock Island-Moline IL	682	2018	$ 143.89	$ 26.64	$ 25.97	$ 20.63	$ 16.68	$ 11.90	$ 10.41	$ 10.44	$ 7.77	$ 6.74	$ 1.86
5-year Change			167%	4%	-40%	-21%	-14%	14%	-28%	-28%	-1%	81%	-3%
Traverse City-Cadillac MI	540	2013	$ 39.38	$ 21.26	$ 31.04	$ 20.92	$ 14.33	$ 9.28	$ 9.79	$ 11.45	$ 6.69	$ 4.56	$ 1.28
Traverse City-Cadillac MI	540	2014	$ 53.18	$ 21.74	$ 28.71	$ 19.58	$ 13.83	$ 9.17	$ 9.70	$ 11.25	$ 7.17	$ 5.31	$ 1.30
Traverse City-Cadillac MI	540	2015	$ 71.70	$ 19.26	$ 26.71	$ 18.43	$ 13.06	$ 9.20	$ 9.61	$ 10.38	$ 7.08	$ 6.44	$ 1.34
Traverse City-Cadillac MI	540	2016	$ 84.95	$ 23.17	$ 23.16	$ 17.98	$ 12.56	$ 9.66	$ 8.82	$ 9.94	$ 7.62	$ 7.70	$ 1.32
Traverse City-Cadillac MI	540	2017	$ 95.53	$ 19.45	$ 21.42	$ 17.31	$ 12.52	$ 10.07	$ 7.80	$ 9.38	$ 7.43	$ 8.28	$ 1.30
Traverse City-Cadillac MI	540	2018	$ 107.49	$ 22.37	$ 19.01	$ 16.84	$ 12.56	$ 10.56	$ 7.04	$ 8.52	$ 6.68	$ 8.31	$ 1.29
5-year Change			173%	5%	-39%	-20%	-12%	14%	-28%	-26%	0%	82%	0%

U.S. LOCAL ADVERTISING EXPENDITURES BY MEDIUM, 2013-2018

Source: Borrell Associates Inc.

$ in Millions

DMA	DCODE	Year	Digital	Local TV	Newspapers	Local Radio	Direct Mail	Out of Home	Other Print	Directories	Cable TV	Cinema	Telemarketing
Medford-Klamath Falls OR	813	2013	$ 25.51	$ 12.91	$ 20.97	$ 12.90	$ 9.21	$ 4.37	$ 7.47	$ 7.49	$ 4.04	$ 1.73	$ 0.96
Medford-Klamath Falls OR	813	2014	$ 34.79	$ 13.29	$ 19.53	$ 12.17	$ 8.93	$ 4.35	$ 7.48	$ 7.36	$ 4.33	$ 2.02	$ 0.97
Medford-Klamath Falls OR	813	2015	$ 47.13	$ 11.76	$ 18.14	$ 11.47	$ 8.43	$ 4.49	$ 7.46	$ 6.82	$ 4.26	$ 2.54	$ 1.00
Medford-Klamath Falls OR	813	2016	$ 55.93	$ 14.19	$ 15.74	$ 11.19	$ 8.14	$ 4.59	$ 6.86	$ 6.55	$ 4.61	$ 2.95	$ 0.99
Medford-Klamath Falls OR	813	2017	$ 62.63	$ 11.83	$ 14.21	$ 10.71	$ 8.08	$ 4.75	$ 6.07	$ 6.17	$ 4.44	$ 3.15	$ 0.97
Medford-Klamath Falls OR	813	2018	$ 70.61	$ 13.54	$ 12.81	$ 10.37	$ 8.09	$ 4.93	$ 5.48	$ 5.61	$ 3.96	$ 3.15	$ 0.96
5-year Change			177%	5%	-39%	-20%	-12%	13%	-27%	-25%	-2%	82%	1%
Biloxi-Gulfport MS	746	2013	$ 23.73	$ 13.12	$ 20.22	$ 13.55	$ 8.26	$ 6.23	$ 6.11	$ 5.92	$ 4.29	$ 1.36	$ 0.70
Biloxi-Gulfport MS	746	2014	$ 31.37	$ 13.52	$ 18.82	$ 12.78	$ 7.99	$ 6.33	$ 6.10	$ 5.79	$ 4.64	$ 1.61	$ 0.71
Biloxi-Gulfport MS	746	2015	$ 43.07	$ 12.22	$ 17.84	$ 12.36	$ 7.60	$ 6.03	$ 6.06	$ 5.33	$ 4.70	$ 1.94	$ 0.72
Biloxi-Gulfport MS	746	2016	$ 51.05	$ 14.69	$ 15.42	$ 12.02	$ 7.32	$ 6.85	$ 5.56	$ 5.11	$ 5.05	$ 2.35	$ 0.72
Biloxi-Gulfport MS	746	2017	$ 58.43	$ 12.42	$ 15.55	$ 11.71	$ 7.32	$ 7.22	$ 4.92	$ 4.81	$ 4.97	$ 2.54	$ 0.71
Biloxi-Gulfport MS	746	2018	$ 65.34	$ 14.35	$ 12.85	$ 11.46	$ 7.37	$ 7.62	$ 4.45	$ 4.36	$ 4.50	$ 2.55	$ 0.70
5-year Change			175%	9%	-36%	-15%	-11%	22%	-27%	-26%	5%	88%	1%
Marquette MI	553	2013	$ 12.19	$ 6.99	$ 10.79	$ 6.87	$ 4.58	$ 2.54	$ 3.42	$ 3.73	$ 2.43	$ 1.54	$ 0.41
Marquette MI	553	2014	$ 16.55	$ 7.18	$ 10.02	$ 6.47	$ 4.44	$ 2.55	$ 3.42	$ 3.66	$ 2.61	$ 1.81	$ 0.42
Marquette MI	553	2015	$ 22.24	$ 6.29	$ 9.24	$ 6.04	$ 4.15	$ 2.60	$ 3.37	$ 3.36	$ 2.53	$ 2.21	$ 0.43
Marquette MI	553	2016	$ 26.41	$ 7.59	$ 8.00	$ 5.89	$ 4.00	$ 2.70	$ 3.09	$ 3.22	$ 2.74	$ 2.62	$ 0.42
Marquette MI	553	2017	$ 29.69	$ 6.35	$ 7.30	$ 5.65	$ 3.98	$ 2.82	$ 2.74	$ 3.04	$ 2.64	$ 2.83	$ 0.42
Marquette MI	553	2018	$ 33.46	$ 7.29	$ 6.55	$ 5.48	$ 3.99	$ 2.96	$ 2.47	$ 2.76	$ 2.35	$ 2.85	$ 0.41
5-year Change			175%	4%	-39%	-20%	-13%	16%	-28%	-26%	-3%	85%	0%
St. Joseph MO	638	2013	$ 8.65	$ 4.30	$ 6.48	$ 4.67	$ 2.92	$ 1.81	$ 2.98	$ 3.32	$ 1.56	$ 0.36	$ 0.31
St. Joseph MO	638	2014	$ 11.60	$ 4.37	$ 5.98	$ 4.35	$ 2.80	$ 1.79	$ 2.95	$ 3.19	$ 1.65	$ 0.43	$ 0.31
St. Joseph MO	638	2015	$ 15.49	$ 3.83	$ 5.51	$ 4.05	$ 2.62	$ 1.89	$ 2.92	$ 2.92	$ 1.61	$ 0.55	$ 0.32
St. Joseph MO	638	2016	$ 18.38	$ 4.63	$ 4.78	$ 3.96	$ 2.53	$ 1.88	$ 2.69	$ 2.81	$ 1.74	$ 0.62	$ 0.31
St. Joseph MO	638	2017	$ 20.56	$ 3.86	$ 4.28	$ 3.80	$ 2.51	$ 1.96	$ 2.39	$ 2.65	$ 1.69	$ 0.67	$ 0.31
St. Joseph MO	638	2018	$ 23.17	$ 4.43	$ 3.88	$ 3.68	$ 2.51	$ 2.03	$ 2.16	$ 2.41	$ 1.53	$ 0.67	$ 0.31
5-year Change			168%	3%	-40%	-21%	-14%	12%	-28%	-27%	-2%	83%	0%

EXHIBIT C

- Declaration of Jonathan Brewster, Cherry Creek Media
- Declaration of Jeffrey D. Warshaw, Connoisseur Media, LLC
- Declaration of Gary Shorman, Eagle Communications, Inc.
- Declaration of M. Kent Frandsen, Frandsen Media Company
- Declaration of Michael Wright, Midwest Communications, Inc.
- Declaration of Thomas A. Walker, Mid-West Management, Inc.
- Declaration of Elizabeth R. Neuhoff, Neuhoff Communications
- Declaration of W. Lawrence Patrick, Patrick Communications LLC
- Declaration of Susan K. Patrick, Legend Communications, Inc.
- Declaration of Erik Hellum, Townsquare Media, Inc.

DECLARATION OF JONATHAN BREWSTER CHERRY CREEK MEDIA

I am Chief Executive Officer of Cherry Creek Media ("CCM"). CCM is the licensee of more than 50 radio stations that serve their local markets in the Rocky Mountain Region, Upper Midwest, Northwest and Southwest. Each year we promote incredible events that allow attendees to connect directly with businesses. Cherry Creek Media websites and digital teams provide cutting edge, targeted, turn-key digital programs for our advertising partners.

Increased Competition for Advertising is Negatively Impacting Local Radio

Across our markets – and the country – media competition has been rapidly evolving with more and more competitors entering the marketplace. Local digital agencies have sprouted up across the country reselling digital assets and funneling huge sums of money into the already-massive digital companies, including Facebook and Google Ad Words. National digital agencies are similarly dominating the marketplace on a national scale, oftentimes entering the U.S. marketplace from overseas. Radio stations and television stations are also selling their own digital assets, in addition to their print publications. Industry-specific sites, such as Cars.com, Autotrader.com, and others have also swept in taking huge sums from car dealers and other industries. Many of these companies have local sales teams that focus on taking advertising dollars previously allocated to community-focused media outlets including local radio. Finally, online platforms such as Amazon.com, eBay.com, BestBuy.com, Walmart.com, and Target.com have dramatically impacted locally-owned businesses that previously made up the core of local radio revenue. These competitors have driven many local businesses out of the marketplace, largely impacting local revenue and squeezing more sales people from all media into fewer businesses.

Across many industries, manufacturers have been pressing their retailers to utilize digital media at the expense of local media. For example, auto manufacturers press dealers to utilize favored websites for marketing. Some manufacturers give higher cooperative allotments for digital advertising, and in many cases, cooperative advertising for radio has been reduced or eliminated altogether. Manufacturers such as Chrysler, Ford, Toyota and Chevrolet have reduced or eliminated local media buys in favor of their own digital efforts. All of these changes are having dramatic impacts on the survivability of local radio stations. Below we provide market-specific examples of the impacts the above competitors have had on our stations and markets.

- In Tri Cities, Washington, there are currently six radio clusters with a total of 23 account executives and three digital specialists making daily sales calls. There are also: four national television stations with a total of 13 account executives and three digital specialists also making daily sales calls; one newspaper with three account executives and two digital specialists; one cable company with three account executives and one digital specialist; and 30 legitimate digital companies selling digital marketing with each company having at least two sales representatives selling digital advertising daily. Radio companies in this marketplace have an intense amount of media competition, with 26 radio account executives versus 85 account executives from different media companies. In the last year alone, there has been a huge impact from digital media on radio revenue.

In just one cluster in the marketplace, the total annual impact has been nearly $150,000. We have lost $50,000 from two RV dealers; $54,000 from three car dealers; $18,000 from a local hospital; and $24,000 from a heating and air conditioning dealer.

- In St. George, Utah, there are a number of new digital agencies aggressively calling on accounts. Some of our clients have become so frustrated with this behavior that they have set up multiple gatekeepers. Others have stopped advertising altogether because of the confusion and frustration these calls have created. Deregulating and consolidation of media outlets would reduce this.

- In Montrose, Colorado, there are digital marketing companies, industry-specific vertical channels, multiple yellow pages companies, radio representatives selling radio, digital, events, or all of the above, cable television companies selling cable, digital, or all of the above, broadcast television companies selling television, digital, events, or all of the above, and newspaper companies selling paper, digital, events, or all of the above. These are just a handful of the individuals visiting prospective clients each day. It is not uncommon for clients to express to us their frustration with the number of "salespeople" they talk to each week. We have seen our local car dealerships redirect significant amounts of money from local radio advertising to specific digital products because it is more cost-effective. For example, a local Chevrolet dealer is being reimbursed by General Motors for its manufacturer "digital toolbox." In real estate, specific companies such as Century21 and Keller-Williams provide branded digital portfolios for their franchises.

Deregulation Would Promote the Public Interest

As highlighted above, the scale of internet companies including Google and Facebook is unprecedented. Their reach, ability to influence, and ability to generate revenue with data on private citizens has completely remade the media landscape. Local radio will not be able to continue serving local communities if the loss of revenue continues. In order to build marketing programs that are comparable to those offered by Facebook and Google, local media companies must be allowed to achieve much larger scale. Deregulation by the Federal Communications Commission will allow for marketing programs and promotions to efficiently run on a larger scale, offering metrics that can allow radio to regain the dollars lost.

Deregulation would also result in new programming offerings in local communities. In the current environment, station owners seek to provide programming that will appeal to the broadest audience. As a result, programming in most markets is focused on a small number of popular formats, often with two or more stations offering substantially similar programming. If owners were permitted to own more stations in local markets, it would likely result in new format offerings because it would no longer make sense to have multiple stations within the same ownership group with the same format. This is particularly true in small markets. Additionally, because it is such expensive programming, it is often difficult to provide robust local news coverage in small and medium-sized markets. With relaxed ownership limitations, the economies of scale afforded to larger clusters will make it more economically feasible to provide more local news programming. Localism is the single greatest attribute that distinguishes radio programming from its digital competition. Economies of scale from larger local clusters will strengthen radio's ability to provide local news, information and entertainment and immediately respond to the needs and desires of the local community. Below we provide market-specific examples of the benefits less regulation will bring to each community.

- In Montrose, Colorado, our in-town competitor is just a juke-box with little community involvement and no local personalities talking about the community, its people, its events, its happenings, or its local charitable efforts. If we could acquire this station, we would be able to promote greater localism. Another opportunity would be in promoting local high school and college sporting events. For both product and financial reasons, it is currently difficult to set aside airtime to cover such sporting events. However, if we had an additional station, or stations, we would have the additional resources and airtime needed to cover both boys and girls sports throughout the year, in addition to more news and local information. The broader platform would also allow the stations to launch more community events.

- In Tri Cities, Washington, there are several stations that are not very involved with the community. By comparison, our stations support a long list of community service campaigns and events, including the Second Harvest Food Drive, the American Red Cross Turkey Trot, Hogs and Dogs, Cool Desert Nights, Mid-Columbia Duck Race, and Head Over Population. If we had more stations, we could and would support more community events. We would convert stations that currently do little for the community into community-involved stations like the ones we own. We could also expand our leading news coverage to these other stations that currently provide little or no news.

Jonathan Brewster
Chief Executive Officer
Cherry Creek Media

DECLARATION OF JEFFREY D. WARSHAW
CONNOISSEUR MEDIA, LLC

I am Founder and Chief Executive Officer of Connoisseur Media, LLC ("Connoisseur"). Connoisseur is the licensee of approximately 30 radio stations in Connecticut, Montana, New York, and Pennsylvania.

Local advertising sales provide the vast majority of radio revenue. However, the digital audio services that are currently radio's primary competition continue to absorb the limited advertising budgets of local and national businesses. Below we have provided examples demonstrating the shift that is occurring in our markets.

Competition in Advertising Has Continued to Rapidly Increase

In Long Island, New York, an increasing number of digital agencies are emerging, with some traditional agencies shifting to entirely digital offerings. For example, EGC Group, a local Long Island advertising agency was purchasing more than $500,000 each year in radio advertising until around 8 years ago, when its traditional media spend dropped to below $100,000. The growth in digital agencies is contributing to the shift from radio to digital across industries. Outlets such as Newsday have also shifted a great deal of their focus to creating digital and audio content, giving advertisers yet another way to reach consumers.

Large concert promoters have shifted focus almost entirely on digital and social media advertising for on-sale and other announcements. They also rely heavily on email and digital services like Groupon for ticket sales, both of which did not exist 10 years ago. Separately, political campaigns have shifted the bulk of their dollars to digital, creating attrition almost every year. Local restaurant and bar spending, including that of fast food restaurants, has similarly shifted to social and digital advertising. Resorts World Casino has shifted a great deal of their dollars to digital. Beer advertising has also reallocated their budgets to digital, impacting advertising revenues that were consistently high during summer months each year. P.C. Richard & Son has moved nearly 40 percent of their advertising dollars to digital from radio, print, and television, dropping Long Island radio spending from $750,000 to $350,000 and shifting nearly $6 million from traditional sources to Google alone. Furthermore, recruitment as a category, which spent over $300,000 annually on radio in Long Island not even 15 years ago, has all but disappeared on radio due to the digital platforms like ZipRecruiter, Glassdoor, Indeed, and LinkedIn. This year, recruitment advertising as a category will not pass $50,000.

The automobile industry has also reallocated funding, perhaps most rapidly, with companies like Tri-State Subaru shifting all dollars to digital. Many automobile manufacturers have business development centers handling digital leads, forcing dealers to utilize digital platforms over other advertising alternatives, even if others may be more successful. For example, Newins Bay Shore Ford and other Ford dealers in New York and other markets are no longer being reimbursed for radio advertising from Ford, even though they are being reimbursed for digital advertising.

Chevrolet is similarly friendlier to digital advertising, offering higher cooperative funding for digital than radio. In the past, it was not uncommon for Chevrolet dealerships in the area to spend more than $200,000 annually on radio advertising. However, earlier this year in Connecticut, Chevrolet rolled out a new digital direction for dealers, requiring dealers to sign up in order to receive cooperative funding. Most advertising, aside from digital, will now receive reduced reimbursement from the company. GM also partnered with 14 advertising vendors, reimbursing more funds for advertising through those vendors. The company has switched almost entirely from radio to digital and dealers have told our stations that they will not have any out of pocket funding for radio or cable at this time.

Deregulation Will Enable Broadcast Radio to Better Compete and Better Serve Local Communities

In Long Island, New York, ownership deregulation would allow us to create larger digital audiences for our brands and therefore drive revenue. With this increased revenue, we would be able to have a greater presence in the market through the addition of new formats. Broadcasters would be able to provide a more diverse product offering, as opposed to homogenized programming.

Furthermore, in the event of a natural disaster or tragedy like Hurricane Sandy or 9/11, we would have the ability to broadcast lifesaving information to a greater number of people. Greater presence would also allow us to address local problems like gang violence with a stronger voice and greater presence. We would be able to have larger news departments, better traffic reporting, and additional information departments. Finally, a larger footprint for public service campaigns would allow non-profit messages to have greater reach and impact.

It is clear the marketplace is a competitive one that is becoming more competitive every day. In addition to competition for listeners, there is intensifying competition for advertising dollars. This competition is negatively impacting the ability of local radio broadcasters to provide the highest quality of service to local communities.

Connoisseur is committed to providing all of our communities the best service possible. The Federal Communications Commission should act quickly to revise the local ownership rules. Permitting local broadcasters to have more scale in their markets will exponentially increase their ability to compete and best serve members of their communities.

Jeffrey D. Warshaw
Founder and Chief Executive Officer
Connoisseur Media, LLC

DECLARATION OF GARY SHORMAN
EAGLE COMMUNICATIONS

I am Chairman and Chief Executive Officer of Employee Owned Eagle Communications ("Eagle"). Today, our 28-station Eagle Communications Radio Group reaches over 300,000 people in Kansas and Missouri. Since our establishment in 1948, Eagle's primary goal has been to make our communities a better place. However, our ability to promote localism and diversity has been largely impacted by new digital competitors for advertising and the restraints on our growth imposed by federal regulations.

In recent years, there have been many specific situations across our markets where the radio budgets on our stations have been replaced by digital offerings not connected with Eagle stations. We have provided a handful of representative samples below.

- In North Platte, Nebraska, the local Ford and Chrysler dealerships have suspended all radio advertising and are now solely relying on digital exposure. Together, the loss of both dealerships has amounted to more than $30,000 in the last year.

- In Hutchinson, Kansas, one station has lost $5,000 in 2017 when the local YMCA moved its radio budget to digital. Benton's Greenhouse, a local garden center, also moved all advertising from radio to digital when the small business council they were a part of convinced them to do so. Midway Motors, a local dealership, stopped advertising on radio last year, resulting in a $10,000 loss for Eagle, but has now started advertising on radio again.

- In Hays, Kansas, the local car dealerships are moving their advertising budgets from radio to digital because the auto manufacturers have directed them to do so in order to receive reimbursement. Many car companies are no longer giving cooperative dollars for radio advertising.

If the Federal Communications Commission reconsiders its local ownership limits and modifies them to reflect the current marketplace, our stations will be able to bring more benefits to more individuals in our communities. By having greater scale and additional resources, we can provide better content, more diverse formats, and become more involved with local businesses and events. We can also better compete with the digital competitors by having the resources to offer more robust digital products and services that will keep some of these advertising dollars in our communities, rather than flowing into the coffers of the giant digital companies that have no local presence.

As an example of the additional services that we could provide, our stations in Great Bend, Kansas have reported that they would be able to sponsor and support more charity events in their local community if they had additional stations. They would also ensure that there would be personnel full-time in the stations which are currently owned by competitors where there is not always staff on hand to address the needs of the community.

Our company slogan is "Our Community…Connected." If we are able to gain more representation in our current markets, we would ensure that our stations and our people continue to put the communities first.

Gary Shorman
Chairman & Chief Executive Officer
Eagle Communications, Inc

<u>DECLARATION OF M. KENT FRANDSEN</u>
<u>FRANDSEN MEDIA COMPANY</u>

I am President of Frandsen Media Company. Members of my family control companies that hold the licenses of over 20 stations in Utah, Idaho and Wyoming. In recent years, digital competitors have directly affected our flow of business. Today, a massive portion of advertising dollars are being allocated to unproven services and marketing methods to the disservice of local radio and the communities we serve. We have provided some examples below based on what has been occurring in our markets.

Digital Advertising Has Greatly Impacted Local Radio

<u>Sandhill Media</u>. Across our markets in Southeastern Idaho, we have lost significant dollars to local and regional digital agencies. The trend away from radio advertising is occurring in many industries. Almost monthly, we encounter coop funds that incentivize local business owners to utilize digital services with a 75 to 80 percent reimbursement rate, versus a 50 percent reimbursement rate for traditional media.

In particular, auto dealers have been encouraged, and sometimes required, by manufacturers to shift as much as 80 percent of their entire marketing budgets from traditional radio services to digital services. In the majority of cases, the auto dealer has been asked to utilize a digital agency either approved by or in partnership with the manufacturer in order to utilize coop funds. For example, Stone's Chrysler, Jeep, Toyota, Kia spent approximately $12,500 each month in 2018 on radio advertising. This has declined to approximately $6,000 monthly in 2019, representing a $15,600 loss in gross earnings to one sales representative and a total loss of $78,000 to our company. Ron Sayer's Chrysler, Jeep, Dodge is now spending no funding on radio advertising, down from approximately $2,300 monthly in 2018. Inland Toyota Dealers Association has similarly reduced spending on radio advertising, from $2,500 per month in 2018 to only $1,000 per month in 2019.

Other local businesses, including furniture stores and RV dealers have also moved away from radio advertising. Ashley HomeStore has decreased spending each year, down from $2,300 monthly in 2017 to approximately $1,200 monthly in 2018 and early-2019. Bish's RV has decreased spending on radio from $6,000 monthly in 2017 to approximately $900 monthly in 2018 and early-2019.

<u>Canyon Media</u>. Over the last three to five years, our stations in the St. George Utah market have seen the effects of Pandora. Some of our top 20 clients have been redirecting large sums of advertising money to digital services, including Pandora. For example, Stephen Wade Auto Group, who owns more than seven auto brands, has told us that "everyone has Pandora." Over the last eight years, we have seen a decline in their radio spending from nearly $30,000 each month to approximately $11,000 each month. We recently suffered another major loss when a nearby Buick and GMC dealer left radio advertising to focus on digital advertising. They have claimed that digital is more trackable, and that even though they have loved radio advertising over the years, they are trying "new media" to be more competitive with others in the market. They cited a new auto tracking software that made several guarantees. Furthermore, we

have heard many clients express shock over the number of advertising representatives they now see each week, which is overwhelming to many local businesses.

Deregulation Would Allow Us to Better Serve Our Communities

Deregulation would open the door for more specialized programming, niche formats, and the ability to do more community driven programming. Today, the limitations on ownership have forced us to focus on formats with wider potential audiences to optimize the stations we have. We would love to do more to highlight the community and serve more people, and having a bigger local platform would give us more resources to do so.

From a community service perspective, we would be able to participate in and promote more events each year. We are currently involved in several large events, including Coins for Kids, which provides clothes and toys for kids during the holiday season. At this time, we are able to dedicate only one station towards that fundraiser because we need the other stations to maximize sales in order to cover the expense and airtime of promoting the program.

If we had access to more stations, we would be able to generate more revenue without increasing overhead. This would provide us with additional revenue to compete with digital services – many of which are owned by some of the largest companies in the world. While we have already introduced digital services in many of our markets, with additional stations and revenue, we can expand our products in our small and medium size markets. Even being able to hire two or three new staff members could turn the game around if we could dedicate those new employees to combining traditional radio advertising with some of the digital tools available today.

M. Kent Frandsen

M. Kent Frandsen
Frandsen Media Company

DECLARATION OF MICHAEL WRIGHT
MIDWEST COMMUNICATIONS, INC.

I am Chief Operating Officer of Midwest Communications, Inc. ("MWC"). MWC was founded in 1958. It is the licensee of approximately 82 stations in the Midwest and in south-central states. In recent years, a trend toward advertising through digital services has accelerated rapidly, taking significant sums of money away from traditional radio. This trend has greatly impacted the ability of radio to compete and to fully serve the community.

Action by the Federal Communications Commission is necessary to level the playing field between radio and our massive digital competitors. By removing or modifying the current restrictions on local radio ownership, the Commission will enable us to gain local scale, improve our competitiveness, and in turn, provide better programing and become more involved with our local communities. For example, in one of our markets we were able to acquire four new stations and put unique formats on them to create more diversity. Today, we have six stations in that particular market, with two AM stations that simulcast. Our stations rank one through five with formats including Country, Contemporary Hit Radio, Top 40, Adult Contemporary, Rock, and News Talk. Prior to our acquisition of these new stations, there were three country stations competing against each other. As a result of this acquisition, two of these have changed to other formats, the market is healthier, and the community is better served. No longer are there multiple radio groups fighting each other for limited radio advertising dollars, all with marginal economic performance. Instead we have a single profitable operation that can pay down debt and invest in the future. We see this as a model for other markets if the Commission eliminates the ownership rules currently preventing us from expanding.

Below we have provided a wealth of examples from several of our markets to illustrate the challenges we are facing as a result of increased competition from digital services. We have also provided testimony from our markets highlighting the ways in which deregulation would better promote localism and diversity in our communities.

Terre Haute and Evansville, Indiana

Competition from Digital Media. In Terry Haute and Evansville, we have seen tremendous attrition from radio advertising to digital advertising. Many auto manufactures, for example, are dictating that dealers spend advertising revenues with a preferred partner, locking out traditional radio marketing solutions. We have lost over $500,000 in local dealer advertising from the automobile industry alone. The healthcare industry has also gone through a tremendous change, and consolidation within the industry has led to a loss of local control of advertising dollars and a dramatic shift of spending to digital platforms. Local "mom and pop" advertising has also been affected as small businesses gravitate towards using social media outlets for their primary marketing tool.

Benefits of Deregulation. Deregulation would result in a healthier industry, and in turn, higher employment numbers. Being able to grow in the markets where we currently operate would help stabilize employment numbers and keep content local. One local minority operator has very strong reported listenership but is unable to keep a sales staff or turn their reported listening into advertising revenue. Because of the current regulatory environment, we are unable to partner with them. This licensee is on the verge of going under; if that occurs, the market will lose the only minority owned and operated media outlet specifically programmed to the minority community.

Kalamazoo, Michigan

Competition from Digital Media. In Kalamazoo, the demand for digital advertising is growing while the demand for radio listening has remained flat for several years now. This has certainly increased the amount of competition we are facing.

Benefits of Deregulation. Our chief radio competitor in Kalamazoo does not focus on localism nearly as much as we do. If deregulation allowed us to buy more stations, we could do more to promote the events and organizations that are essential to making our town a better place to live. For example, CARES is the only full-service organization in Southwest Michigan for people dealing with HIV/AIDS. Our competitors do not give them coverage. We feature their annual fundraiser on three of our stations, even though they do not have a budget to buy spots. We do it because it is the right thing to do and we take our community responsibilities seriously. We also work closely with other charitable nonprofits, including the American Heart Association, the Kalamazoo Gospel Mission, and the Salvation Army, as well as such cultural institutions including the Kalamazoo Symphony Orchestra, the Bach Festival Society, the Kalamazoo Institute of Arts, and more.

Lansing, Michigan

Competition from Digital Media. In Lansing, local and national businesses across many industries have moved dollars from radio to digital. For example, Consumers Energy spent a decreasing amount on radio each year from 2016 to 2019, dropping from $77,500 in 2016 to $17,170 in 2018, and only $1,600 to-date in 2019. McDonald's has similarly decreased radio spending from $54,500 in 2016 to only $28,600 in 2018. Radio spending is projected to be $19,500 in 2019. Ashley Home Store, which was a new account in 2018, averaged $2,500 per month, but recently pulled all radio advertising and switched to digital. Michigan State University Federal Credit Union has dropped radio spending from $91,000 in 2016 to $44,500 in 2018. Wendy's dropped spending from $11,500 in 2016 to zero dollars in 2019. The YMCA has also cut radio spending altogether, dropping from $26,200 in 2016. These are just a handful of examples. The annual revenue that has been lost on the above accounts and others to digital advertising equals nearly $500,000 per year, or roughly 25 percent.

Benefits of Deregulation. A critical part of securing businesses in the market for advertising involves building campaigns that have the advantage of the synergy created by combining an on-air radio schedule with a vibrant focused digital strategy. Research has shown that the marriage of radio and digital is highly effective in building brand awareness and actionable results. If we are able to expand our radio station footprint in market, we would have the ability to build on this important concept and create even more success for our clients marketing plans. Having additional assets in the market would also allow us to continue supporting and growing our involvement with numerous non-profit and community-oriented efforts. For example, we have been involved with countless events or efforts such as the MS Walk, the American Cancer Walk, Ad Counsel Public Service Announcements, the "Community Showcase" promoting local businesses, and the Special Olympics. We have also promoted the Ingham County Animal Shelter "Pet of the Week" on-air and online each week and have been involved with at least five career fairs in the last nine months alone.

Duluth, Minnesota

Competition from Digital Media. In Duluth, stations have experienced significant losses to digital competitors. For example, in 2016 the Kolar Auto Group, which is the second biggest auto group in town, moved their local radio dollars to Pandora. At the time, we estimated that their local expenditures were in the $120,000 to $150,000 range. This shift was the direct result of directives from a local advertising agency salesperson, who had been the top Pandora representative in Minneapolis prior to joining the agency. Today, these dollars continue to be spent on Pandora and have not come back to the local radio market.

Fargo-Moorhead, North Dakota

Competition from Digital Media. Nearly every client we work with in Fargo-Moorhead has moved significant business from radio to digital. In most cases, that business has been moved from radio to Google Ad Words, Pandora, Spotify, or a digital programmatic buy that the agency places on those services. One agency in Fargo has refused to see our digital presentation as a result of existing partnerships. They have taken dollars previously allocated to radio and television and use them to shoot videos for social media, design websites, or place targeted programmatic advertising. Earlier this year, Beds by Design bought radio advertising via one digital advertising agency. By the second quarter of 2019, radio advertising was cut completely from the budget and replaced with advertising on Pandora. A local Ford dealer was enticed to move advertising to digital in exchange for additional cooperative dollars. Because of this digital mandate, radio has lost between $5,000 and $10,000 per month. Massage Envy locally spent $23,000 in 2014, $16,964 in 2015, and zero since then, moving its entire budget to Pandora and Spotify.

Benefits of Deregulation. Ownership deregulation in Fargo-Moorhead would allow for the acquisition of some of the smaller operators that do not currently produce their own news, and otherwise rebroadcast weather content and programming. Our stations would be able to utilize their full-time local news team, local meteorologist, and live sports coverage to distribute live and local content that members of the community want and care about. This would allow us to maintain a large, live staff based in North Dakota and Minnesota. Over the years, we have covered Red River flooding, train derailments, fires, and other emergencies. Being able to continue doing so on a broader basis would save crops during floods, homes during tornados, businesses during derailments, and most importantly, lives.

If we had more stations, we could also offer additional formats in the community to serve currently underserved communities. Instead of stations that compete with each other in the same formats, our formats would be more diverse. Currently, similar products have a tendency to compete with each other and focus less on what may really be causing the problem – the competition with digital. Being able to own more stations in the market would allow us to directly compete with social media and digital services, instead of other radio stations selling similar products. Ultimately, we can connect with people and talk about the issues that actually affect the people living in the community.

<u>Sioux Falls, South Dakota</u>

Competition from Digital Media. In Sioux Falls, there are many digital agencies or specialists that have been detrimental to radio and traditional media revenues. The digital products vary, but advertisers have put a lot of trust in digital experts, even though many of them provide no reports or analytics. Many advertisers say that Google or Facebook work best, even though they are not producing visible results. Although the dollar figure that those media competitors have taken out of the local market cannot be quantified, it is exponentially large. In the last five years, there have been many clients moving from radio to digital. For example, Sanford Health Care spent $140,000 in 2016 and only $87,000 in 2018. Billion Auto Dealers cut radio spending back more than $120,000 in two years from $522,000 in 2016 to $404,000 in 2018. Frankman Motor Company dropped radio spending $25,000 from 2016 to 2017. Sanford Health Recruitment, an affiliate of Sanford Health Care, has also decreased spending $50,000 from 2016.

Benefits of Deregulation. If local ownership was deregulated, we would be able to grow the radio audience overall through introducing more stations with new formats. More radio stations under common control will stop the question we hear from advertisers all the time – "what country station do I trust my advertising dollars with?" If we didn't have to have that fight as often because of the duplicative in-market formats, we could spend our valuable time with bigger and better initiatives, which in turn will help us selling all the new platforms our company will be offering to the advertising and marketing community.

We would also be able to disseminate news and information in a more widespread manner. We would also have more assets to share our community's messaging. Ultimately, we could spend our valuable time with bigger and better initiatives, which in turn will help us sell all the new platforms our company will be offering to the advertising and marketing community.

<u>Knoxville, Tennessee</u>

Competition from Digital Media. In Knoxville, there has been an increase in competition from digital media and traditional media companies that have added digital services to their offerings. Virtually every local client has moved some or advertising dollars to the digital space, with a steady decline in traditional advertising revenue each year since 2014. Just earlier this month, Knoxville Wholesale Furniture was expressing concern over having to use existing advertising funding for both traditional and new advertising without increasing their budget. They also highlighted the increasing number of commercial messages that consumers are being exposed to, and questioned whether current marketing efforts are splintering. We are able to provide several examples of the shift from traditional radio to digital. Well-Key Urgent Care has decreased spending from $72,000 in 2018 to only $40,000 in 2019. Kroger has cut a minimum of $2,000 per month over the last few years. Eagle Distributing has moved $50,000 per year to digital. Hard Rock Cafe has moved $30,000 per year to national digital efforts. Master Dry shifted $26,000 in 2018 and B-Dry shifted $19,000. Y-12 Federal Credit Union now spends more than $200,000 per year in digital advertising and are slated to continue to add 10 percent each year to their digital budget.

Benefits of Deregulation. Deregulation would be a great thing for responsible local broadcasters. By allowing broadcasters to have more scale, they will be in a better position to run a business with a healthier bottom line that can be reinvested in people, content, and more localized activities. We make the majority of our decisions at the market level, enabling us to increase local access and promote greater localism in each community. More radio stations would mean more revenue, which will allow us to add more staff to our news departments. Additionally, more stations would allow for more publicity for the local events with which we are partnered within our communities. The smaller stand-alone stations in our market are short staffed and lack the revenue needed to serve the community in the same way as a robust cluster of radio stations. Without a change in the local ownership rules, we will continue to be at a competitive disadvantage. If operators continue to have a hard time generating revenue, they cannot provide appropriate service to local communities.

Nashville, Tennessee

Competition from Digital Media. In Nashville, digital advertising continues to grow. Radio needs to be able to keep the pace in this changing landscape. For example, Crest Honda, which is part of the Sonic Group, has a separate agency that buys digital for all of their dealerships. In the first half of 2019, we have lost more than $35,000. Sun Tan City is another example where we have lost more than $36,000 this year alone to digital.

Benefits of Deregulation. If the local ownership limits are eliminated, we will be able to respond to our community on a much deeper level. We will have more signals and more resources to serve niche communities and grass roots efforts as well as more individuals in the community as a whole. We will also be able to leverage our relationships with clients and agencies to garner a much larger share of buys since we will have more rating points and listeners to work with. Also, by selling different formats, we will open up new categories for advertising.

Green Bay, Wisconsin

Competition from Digital Media. In Green Bay, we continue to lose revenue to digital sources. The biggest impact has been felt from our largest accounts, especially in the automotive sector. For example, Bergstrom Automotive has cut their budget for radio advertising with MWC by $100,000 in the past year as a result of a mandate from auto manufacturers. These losses are occurring across many sectors and businesses of all sizes. The following examples show the amounts moved to digital in 2019 alone: Camera Corner, $18,000; Cuna, $50,000; Door Peninsula Winery, $45,000; Golrusk, $25,000; Milan Laser, $85,000; OSMS, $25,000; and Plato's Closet, $15,000. Together, these accounts alone represent a loss of more than $250,000.

Sheboygan, Wisconsin

Competition from Digital Media. In Sheboygan, competition from digital media has come in several forms. First, there is obvious competition for advertising dollars by Facebook, Google, and even Yelp. There is also the development of local, social media agencies who are calling on our customers with a local connection to and usage of those brands. Local bloggers scour police scanners to be first with breaking news, while our broadcast organization has much higher standards of news reporting and gathering. Radio dollars have fled to digital media from some business categories that have been cornerstones of our industry. For example, auto dealers and hospitals and health care organizations have seen mass exodus to digital media. These customers used to be part of promotional activity and charitable giving. However, the emergence of streaming platforms has effectively removed our ability to provide great local programming and do the amount of charitable work we did 20 years ago.

Benefits of Deregulation. Ownership deregulation will allow us to fulfill our obligations to the public as licensees. It will allow us to have more resources to serve our audiences and to compete on even footing with digital competitors, while keeping local dollars in our local communities.

Michael Wright
Chief Operating Officer
Midwest Communications, Inc.

DECLARATION OF THOMAS A. WALKER
MID-WEST FAMILY

I am President of Mid-West Management, Inc., a member company of Mid-West Family ("Mid-West Family"). Mid-West Family is a group of independent companies with interlocking ownership holding licenses for over 40 radio stations in a number of Midwestern states.

Each day, more and more money is being diverted from the local radio market to large media competitors, such as Google, Amazon, and Facebook. This shift in the marketplace is not just harming local radio, but local communities. While these large media competitors have far greater resources than we do, they are not committed to informing, serving, and promoting communities. Less ownership regulation and, in turn, greater scale will give radio the ability to revive communities through more localism and new diverse programming.

Digital Advertising Is Currently Dominating the Media Space. In many of our markets, digital advertising continues to exhaust the limited budgets of many local companies. For example, in Eau Claire, Wisconsin, the market's largest jewelry store and one of the largest car dealers have moved dollars from radio to digital in the last year. The jewelry store was previously a monthly advertiser and has now completely disappeared from the radio. Pandora has a regional representative in the area assisting advertisers and directing them to digital platforms and away from radio. In South Bend, Indiana, every media company is selling some sort of digital component. Many of the companies have split sales teams adding even more salespeople to the marketplace. This increase has created fatigue for the business owner. As a result, many are choosing to buy advertising products from one source, even if that source is not the most effective. Recently, we spoke to a business in the health care industry that had no funding for radio advertising, even though it spent $10,000 in new search engine optimization above what it had already spent because its initial expenditures on digital were not working. By comparison, $10,000 on radio advertising would have exposed his message to new audiences and enhanced the value of his previous digital advertising.

Deregulation will Promote Localism. Our stations provide original, local content that informs and entertains our listeners. If we had greater ownership, this content could be expanded to additional stations in the area. We would be able to provide more news, more sports coverage, and participate in more local events if we had greater scale. We would also be able to more effectively advertise, promoting the local businesses and events that anchor our communities. Below we have provided a handful of specific examples from our markets.

Our radio stations can drive listeners to specific locations in the digital universe better than any other source. With larger station clusters, we could build out our digital landscape, drive our listeners to it, and better serve the community as a whole. For example, in Southwest Michigan, where we currently have a very large radio market share under the current rules, we have made significant efforts to direct listeners to our website and app. Today, we have tens of thousands of users every day. We are able to drive radio listeners to both internet platforms, where they are able to get additional content and information. We could expand this model to other stations if we were able to expand.

In South Bend, Indiana, one competitor has four stations, yet only one is live and local daily. The others are on a satellite. The competitor has almost no resources and only one station has a small, local footprint. By contrast, we engage with our community daily. By opening our airwaves to local non-profits and charities, we have received many invitations to come support local events. We would follow the same mission if we had additional stations.

In La Crosse, Wisconsin, current local competitors do not provide much live radio, news, or information. Satellite competitors provide none. The majority of local stations are providing news that is borrowed. By comparison, we have a six person news team who actively creates radio and online content. Greater scale would also allow us to provide our local original content to more members of the community.

In South Bend/Elkhart, Indiana, our stations currently partner with Notre Dame University to promote their sporting events, including football, basketball and hockey. We would like to expand our partnership to include baseball and women's basketball. If we had another channel, our partnership could be expanded. This channel could also be the home of local high school sports, with live and taped delay broadcasts of area schools' games.

In Eau Claire, Wisconsin, our local sports teams also fight for coverage. If we had more stations, we could provide a place for coverage. Having more stations would also bring more charitable efforts to the community, as it is already a huge part of what we do.

In La Crosse, Wisconsin, greater scale would also give our stations the ability to more effectively execute interactive and digital marketing. Today, clients are clicking and buying advertising through web-based means. If we had more opportunities to sell interactive partnerships with local radio and social media combined, we could compete with larger media companies and give our advertisers more local presence using radio to promote events, for example. Furthermore, local advertisers are hungry for training and a hands-on approach into this new dimension of marketing. This is something we can offer to them in a much more compelling way with a larger presence in the market.

Deregulation will Promote New and Diverse Programming. Permitting greater scale will also give station clusters the ability to promote new diverse programming. In many of our markets, there are underserved or unserved demographics.

In the South Bend/Elkhart, Indiana market alone, several demographics are underserved. First, the Hispanic population – which makes up 16 percent of the community – is lacking quality content. Of the Hispanic population, 35.3 percent are under the age of 18, but there is only one regional Mexican music format in the area that almost never appears in the ratings. Second, there is no alternative music radio format in the market even though nearly 50 percent of the market is between the ages of 12 and 34, which is the age group target for this format. Third, there are also no commercial Jazz or Blues stations in the market, despite the 26.4 percent Black and African American population in South Bend and 14.9 percent Black and African American population in Elkhart. There are numerous Jazz festivals held throughout the year which are all largely supported by the community. These demographics all represent opportunities for growth in the South Bend and Elkhart communities. Currently, they are not being served, as the stations in the market concentrate on the mass formats with the largest listening audience, resulting in competing stations fighting over the same mass market audience. If stations were under common ownership, we would not fight with ourselves in the mass formats, but instead extend our programming into formats not currently available in the market.

In Eau Claire, Wisconsin, the local music scene is vibrant but lacks a voice. We could be that voice. We could also bring different genres of music to a local audience. But, again, we would need additional signals to be able to offer this service.

We urge the FCC to recognize that radio is not just competing with radio anymore, but is instead part of a much larger competitive marketplace for listeners and advertisers. Only by gaining scale in our markets will we be able to compete with the digital interlopers, and be able to continue to provide the important local programming for which our stations are known.

Thomas A. Walker
President
Mid-West Management, Inc.

DECLARATION OF BETH NEUHOFF
NEUHOFF MEDIA

I am Chief Executive Officer and President of Neuhoff Communications ("Neuhoff"). For nearly 20 years, Neuhoff has worked to create engaging and entertaining local content and events in our communities. Neuhoff has twenty radio stations, sixteen locally focused digital music, information, and entertainment sites, and serves over a million consumers in Illinois and Indiana. But the media landscape is dramatically changing. Since the advent of digital media, our markets have been profoundly impacted. The economics of covering the news in a declining revenue space are prohibitive. Where once we had thriving healthy newspapers and full television newsrooms, we find ourselves, in some cases, the only real time source of local news. With the removal of ownership restrictions, a consolidated radio broadcaster could amplify vital news coverage to its communities and better respond in times of emergency.

Furthermore, as shown below, advertising revenues continue to be redirected from radio to digital advertising at a record pace, much to the detriment of traditional radio. With a more substantial local radio presence, we would have a larger base from which to expand our digital offerings to compete with Internet companies.

Below we have included a few examples from our markets, which illustrate the digital competition that is now faced by radio. These are merely a sample of the shift happening in markets across the country.

Availability of News

- To illustrate, five years ago in Danville, Illinois (population 31,000), there were five full-time local news reporters across two radio station groups and an additional complement of part-time reporters. Today, there is only one full-time local news reporter employed between seven radio stations (two groups). We employee him. The many reporters covering local government, events, and issues has been replaced by a single voice. This pattern is repeated across the markets we serve. Though we are proud of the work we do, it is hard to address important local issues with such a small staff. The overly competitive nature of our business has forced us to significantly cut into what we perceive are vital services we provide. We would love to have a bigger newsroom but declining margins do not currently allow it.

- To put this in further context, in the Danville example, the local newspaper has reduced its news coverage by 40 percent. The local ABC television newsroom discontinued its local news coverage of Danville completely. As licensees, we are doing a disservice to our communities by continuing to ratchet back local content. We have no choice financially, however, as a result of intense competition. Yet, when there is a tornado, a fire, or a local veteran returns home, we are there. Our reporter and employees work around the clock to be the pulse of Danville, Illinois. Digital services including Facebook, Google, Pandora and Spotify, who collectively take more than half the dollars out of the marketplace, are nowhere to be found unless we are posting a story that can be shared, searched or quoted.

Political Advertising

- One of the best indicators of how digital has affected radio advertising occurred in last year's record-breaking gubernatorial election in Illinois between Bruce Rauner and J.B. Pritzker. The winning candidate, J.B. Pritzker, reportedly spent $171.5 million on his campaign – over $30 million of which went to digital advertising. According to Katz Radio Group, $618,000 of those dollars were spent in radio. Rauner spent even less – $156,000. To illustrate the specific impact on just one of our stations, our dominant news-talk in Decatur, Illinois (WSOY-AM) received a total of $2,500 from the Pritzker campaign and $500 from Rauner. A decade ago, we received more than $10,000 from each gubernatorial candidate. That money has been diverted to digital. In addition to the regulatory burdens we bear with reporting and equal time, we are no match for a competitor (digital) whose financing source is not as transparent to the ordinary citizen and whose ads may be less likely to be perceived as advertising than a properly identified radio ad.

Specific Impacts of Digital Advertising by Market

Lafayette, Indiana

- In Lafayette our biggest automotive advertiser is Bob Rohrman. In past years, a large group of dealerships would spend $332,000 per year on radio advertising. This year, only $84,000 will be spent on radio advertising. They have not decreased their spend, but moved it all to digital because the manufacturers have dictated that advertising money has to be spent on digital for the dealers to receive co-op.

- Similarly, DeFouw Automotive now invests 80 percent of their marketing budget in digital advertising, including sites like Dealer.com. In the past five years, the dealership has reduced its traditional media expenditure by about 60 percent.

- Rigg's Power Equipment, a smaller client and traditional Spring and Fall advertiser, spent approximately $5,000 annually with us in past years. They have now allocated their entire budget to digital services including targeted display, search engine marketing, search engine optimization, and reputation management.

- The traditional radio, concert, promoter relationship has also been impacted. For very small shows, for example, we used to receive between $500 and $2,500 to promote the show. Today, there are some shows where no money is spent on advertising. Our stations have only been asked to "co-host" Facebook events for free.

Springfield, Illinois

- In Springfield, Ford Motor Company used to spend $4,000 per month with Neuhoff on a regional level. It has now reallocated its entire budget to digital advertising.

- Chevrolet used to spend $2,000 per month with Neuhoff, but as a result of orders from the manufacturer, now all of that money is spent on Google Ad Words, search keywords, and banner advertising online.

- One Illinois Ford dealer group cooperative now matches 100 percent of cooperative dollars spent on digital versus only 50 percent of dollars spent on traditional advertising.

- Even if Neuhoff wanted to sell dealerships our digital offerings in Springfield, the Chrysler and Dodge digital cooperative must be used only on approved vendor sites which are dealer-specific digital platforms.

- Bill Lynch, the General Manager of Susan's Auto Mall in Springfield has said that the number of sales representatives calling him from digital outlets across the country has increased from 5 to 25 to 40 over the last 15 years. This is in addition to the increase in the number of local sales representatives calling him.

- Rachael Buraski, Marketing Coordinator for Green Automotive has similarly cited an increase in the number of calls from sales representatives. She has gone from having a few local representatives calling her to having more than 50 people calling her from digital companies all over the country.

Decatur, Illinois

- In Decatur, CSL Plasma spent $21,600 or more each year with Neuhoff for more than five years. Today, their entire budget has been converted to social and digital marketing.

- Also in Decatur, Advantage Auto, a used car dealership, spent approximately $19,000 with Neuhoff annually in recent years. They continue to advertise today, but have moved all advertising to the digital space.

- Carlton Cleaners, a smaller dry cleaning advertiser of about $4,000 a year now spends its entire budget on Yelp and Facebook.

Elizabeth R. Neuhoff
Chief Executive Officer and President
Neuhoff Communications

Declaration of W. Lawrence Patrick
Managing Partner
Patrick Communications LLC

I am Managing Partner of Patrick Communication, LLC, a media investment banking and brokerage firm. The firm has completed nearly 600 radio transactions involving sales of radio groups, clusters and individual stations. In addition, I have appraised several hundred radio stations in all-sized markets across the country. I have also submitted many expert opinion reports to the FCC, testified before Committees of Congress multiple times and testified as an expert in 36 federal and state courts on the *value of radio stations.*

Over the past ten years, the overall health of the radio industry has declined in the face of increased competition. In the words of investors and lenders, the radio industry continues to see a "secular" decline. Revenues which once saw healthy high single-digit or even double-digit annual increases are now flat or slowly declining in many markets across the country. The radio industry is facing enormous competition from the digital giants.

As a broker, I see these trends reflected in lower or non-existent interest by investors in the radio industry. I cannot recall one discussion with any private equity investment firm during the past five years where they expressed any interest in placing *significant resources in the radio business. The forecast is a bleak one because the* investors know that the shift of advertising has been to digital and that local stations are now facing an increasingly uphill battle.

One can easily track the sale of major market radio stations over the past dozen years to see the prices for FM stations move from $130.0 million (WBLS-FM in New York City in 2014 sold together with WLIB on Long Island) and $250.0 million (KXOL-FM in Los Angeles in 2003) to $43.0 million (KLOS-FM, again in Los Angeles, a sale announced last week) and $18.0 to $21.5 million (WKQX-FM and WCKL-FM respectfully in Chicago, sales which took place last year). In another sale announced this year, full-power FM stations in New York City and Washington DC, along with stations in Atlanta and two other markets were sold for a total of $103 million – a price less than the seller of a single New *York station would have received a decade ago. Stations and groups are seeing the shift* to digital translate into lower values for their properties. Multiples of broadcast cash flow are flat and significantly lower than they were in all-sized markets compared to 10 years ago.

There are few markets today where the amount of digital advertising does not easily surpass the combined revenues of traditional radio companies. One can simply follow the allocation of advertising dollars by national agencies from traditional radio spending to digital, particularly to Facebook and Google. These services operate in most every market in the country, even in very small, unrated towns such as where I operate 23 radio stations with my wife across northern Wyoming.

For instance, an unrated market such as Cody or Gillette, Wyoming, towns with between 15,000 and 35,000 population, report total radio revenues of under $2.75 million per year. Digital ad spending by local car dealers, banks, realtors and other advertisers is generally double or more likely triple than the annual radio revenue figures. This money is flowing out of the local communities to the digital giants.

How does this translate into the current operation of radio stations across the country? Stations faced with flattened or declining revenues find that they must make difficult choices in terms of news, information and entertainment programming. Unfortunately, in too many cases, it leads to declines in staff sizing or the implementation of more syndicated, voice-tracked or satellite programming. In short, this strong and now dominant digital advertising competition hurts local stations and their communities.

One solution that the Commission could implement is a relaxation of the radio ownership rules. Allow broadcasting companies to consolidate so at least they could control more of the radio share of listening and revenues. In some cases, it also would allow stations to absorb their lesser competitors and provide more overall service to their communities.

Again, in Cody and Gillette, Wyoming, our stations do well and consistently win awards for the best local news, best public service and best commercial production. We devote hundreds of hours annually to community service. And, we back up this commitment with cash donations exceeding $100,000 annually to local charities, educational institutions and local causes.

For years, our weaker competitors, often operating with shoestring staff levels, old equipment and lacking almost all news and informational programming as well as staff, have asked us to purchase their properties. We cannot do so under the current rules. If we were allowed to expand, we may well purchase their properties, upgrade them and offer new formats to our communities.

We could bring a level of professionalism to these stations that is sorely lacking currently. In many cases, these stations are not in compliance with FCC regulations but know that the reduction in field inspectors will allow them to disregard the rules. We would welcome a change in the ownership restrictions that prevent our communities from benefiting from more service from a strong broadcaster.

As a media broker and station operator, I would respectfully request that the Commission relax the current ownership rules to restore economic health to the radio industry and also allow more service to our communities by allowing us to consolidate the radio portion of the advertising pie and to better serve our listeners with more formats and local community programming. Our commitment to provide public service plus cash resources to those in our communities is threatened by the continued imposition of unrealistic and unfairly restrictive station ownership regulations. The market is not just broadcast radio but realistically audio in all forms.

W. Lawrence Patrick
Managing Partner
Patrick Communications LLC

Declaration of Susan K. Patrick
Managing Partner
Legend Communications of WY, LLC

I am Managing Partner of Legend Communications of WY, LLC ("Legend"), licensee of 23 radio stations serving five population centers in the state of Wyoming and covering an estimated population of 100,000. Legend has been operating in Wyoming since 1998 and has a strong record of service to our communities. We have received multiple awards for local news, sports coverage and community service and all of our stations regularly participate and support local events and charities important to the populations that we serve.

However, over time our ability to emphasize and promote localism has been diminished significantly by competition from digital competitors, many of whom are not locally based, but operate from well outside our markets and even outside the state of Wyoming. Our ability to serve our communities with "live and local" content has been, and continues to be, impacted by the effect these digital companies have had on the available radio marketing dollars in our communities. These companies operate with no restrictions on growth, yet radio companies continue to be constrained by outdated federal ownership regulations.

The following are just a few specific examples of radio revenue that has been displaced by digital advertising in our communities:

- In Cody, WY, two out of four car dealerships in the community have totally suspended radio advertising moving all of those dollars to digital spending that is provided by entities outside of the state of WY. This has reduced revenues on our Cody stations by over $30,000 annually.

- The other two Cody car dealerships reduced their radio budgets from $3,000 per month to $500 per month. This $2,500 that used to be spent on radio was added to their digital budgets, which now exceed $5,500 per month.

- Similar budgetary cuts and lost revenue by car dealerships have also been experienced in our Sheridan and Gillette markets. Company-wide, lost revenues from car dealers moving to digital has been at least $150,000 annually.

- First Bank of Wyoming has branches in many of our radio communities and was a solid radio advertiser at approximately $5,000 per month across all of our radio stations. The bank still spends about $3,000 per month total across all of our stations, but now has a digital budget of $10,000 per month <u>per branch</u>. They are spending hundreds of thousands of dollars on digital providers, meanwhile cutting their radio budgets significantly.

- The above are only a few examples from some of our largest advertisers. We have seen similar shifts in radio to digital dollars in varying magnitudes across virtually every advertiser category we have—doctors, hospitals, dentists, lawn care, plumbers, hospitality operators, construction—and many more. Some reductions in radio dollars have been small and some have been large, but the majority of our advertisers have made some shift from radio to digital over the past few years.

The loss of radio revenue has already had an impact on our operations and will continue to do so. In Cody, we recently had our award-winning sports director leave the state to be married. We utilized our sports director heavily with local game coverage as well as traveling with several area local high schools and community college teams. He also covered American Legion baseball teams throughout the summer. As important as this position has been to our communities, we are contemplating making do with a variety of part-timers instead of replacing our sports director. We hope that we do not have to make this change, but it is under consideration. If not now, certainly down the road, adjustments in staff such as this will have to be considered if revenue continues to be displaced by digital competitors.

Similarly, we have many live and local on-air personalities and pride ourselves on that interaction with our listeners. Employee salaries are the largest expense we have, however, and if radio revenues continue to decrease, it makes it much harder to sustain the full-service operations that our listeners deserve.

We, of course, have begun offering digital products, but competition with well-established, and often national providers like Google and Facebook that penetrate even our very small markets, has been difficult. Our local advertising markets have become increasingly fragmented by national competitors to the detriment of our operations.

Our radio competitors, who have even smaller and weaker operations than Legend, are suffering even more. Many used to have full-service operations, but most have now been forced to operate with minimal staffs of only a few people (some even operate well outside FCC required parameters), voice-tracked or satellite programming with no local content, and no participation in the community. These operations are barely staying on the air, much less providing robust service and programming to their communities. Several of these owners have asked us to purchase them, but we cannot do so under current ownership regulations.

If the FCC were to lift the current ownership limits in the smallest of markets like ours, we would be able to purchase these struggling competitors and utilize those stations to offer more diversity of programming to our communities and, with the synergies that size brings, we could reinstate many local operational aspects to these struggling stations. In addition, these radio station owners would have an exit from the industry that would return at least some of the investment of time and money that they've put in over their years of ownership. Frankly, other than Legend, most of these stations if marketed would find no buyers.

A change in the FCC ownership rules that would enable Legend to purchase its struggling competitors would also ensure that Legend could at least dominate the local radio revenue market. Radio revenue overall in most markets has slow or flat growth each year and in some cases is declining as advertisers move budgets to digital. If we were able to own all the stations in our market, we could at least work to sustain the level of current radio advertising in the market while increasing our overall revenue again. This would help us to rebuild our competitors' struggling operations and ensure that our existing live and local efforts can remain intact.

Legend Communications has been a proud operator of local radio stations for over twenty years. Our communities interact with us on a daily basis and in small markets such as ours we are blessed to be an integral part of our listener's lives and our communities. Changing the FCC ownership rules to enable us to expand within our current markets is a critical move that we believe would help ensure that local radio remains viable.

Susan K. Patrick

Susan K. Patrick
Managing Partner
Legend Communications, Inc.

DECLARATION OF ERIK HELLUM
TOWNSQUARE MEDIA, INC.

I am Chief Operating Officer – Local Media of Townsquare Media, Inc. ("Townsquare"). Townsquare was founded in 2010. It is a public company and the licensee of approximately 320 radio stations across the country.

Increased Competition in Advertising. Across our many markets, pure play digital advertising agencies have been growing rapidly and competing against traditional advertising outlets such as radio. Advertising agencies are buying more digital advertising because they can buy in-house using digital advertising platforms and because the agency can have more control of their client's advertising dollars.

This competition is happening in every market. Below we provide specific examples of this competition from some of our markets. These examples are representative of what is happening all across the country:

- In Tuscaloosa, Alabama, restaurant chains including Arby's and Wendy's have shifted their spending to digital, eliminating the local radio portion of their budget. A local auto dealer has shifted 100 percent of its radio budget to digital advertising using Autotrader.com and Cars.com, representing a loss of over $300,000 per year.

- In Cedar Rapids, Iowa, one of the largest car dealers in eastern Iowa and one of the largest automotive advertisers in all of Iowa built out a digital advertising team in response to Ford and Chevy mandating that all their dealers had to allocate 50 percent of their advertising spending to digital. Today, hundreds of digital advertising sales representatives are competing for this advertising budget, and the digital portion of the budget continues to grow, while the radio portion continues to decline. Townsquare's share of the car dealer's radio spend has declined approximately 43 percent since 2013.

- In Shreveport, Louisiana, a local car dealer shifted $19,000 away from Townsquare, and reallocated it toward digital advertising. A local casino also cut its radio budget by 50 percent and shifted that money to digital advertising.

- In Portland, Maine, a local bar and restaurant that used to spend between $32,000 and $50,000 per year in radio advertising, has shifted to digital advertising, spending now only $10,000 per year on radio. The Maine State Lottery has also cut its radio spend in half and has increased its spending on digital and social media advertising. In 2018, one of the market's longtime largest broadcast spenders, a local hospital, removed broadcast from their strategy entirely to focus on video. For the past two years, a local auto dealer ran an exclusive $50,000 annual program with Townsquare where they were the exclusive underwriter of our community service platform, Year of Service. They have now moved 100 percent of their budget to social and other digital advertising platforms. Similarly, a local gas provider took their entire radio budget of approximately $35,000 to Pandora because of the geotargeting ability.

- In Presque Isle, Maine, television stations are now offering digital solutions, cable providers are fielding separate digital sales staffs, and the local paper is moving into a digital-only space and has a print sales division as well as a digital sales division. Townsquare is seeing number of boutique digital agencies and internet radio companies competing for the same dollars previously allocated to radio advertising. A recent meeting with a local car dealer revealed $5,000 monthly spending on search engine marketing, while radio's share of advertising dollars was down roughly 20 percent. Another local radio advertiser in the home improvement industry has diverted $4,000 per month from radio to search engine marketing.

- In New Bedford, Massachusetts, one of Townsquare's biggest competitors for advertising is New Bedford Guide, a new social media advertising business. The biggest advertising category in this market is restaurant advertising. New Bedford Guide now has a restaurant review and guide section along with packages that do long form video and content about the restaurants. A local tire and auto service center shifted approximately $20,000 in advertising from Townsquare to Pandora. Furthermore, a long-time auto dealer client has shifted 80 percent of its advertising budget to digital and search engine marketing to drive customers to their website.

- In Lansing, Michigan, a national grocery chain shifted its budget to digital billboards and digital signage in stadiums, resulting in a $200,000 annual loss of business for Townsquare. The Lansing stations also lost business to Autotrader.com, which offers programmatic solutions to auto dealers. One former client shifted their $18,000 annual business from Townsquare to Autotrader.com.

- In Duluth, Minnesota, Townsquare operates four radio stations. Local advertisers are receiving daily calls from digital media providers outside of the immediate service area. A local car dealer receives, on average, 10 to 12 calls per day from non-traditional digital media providers located outside of the market soliciting advertising dollars. This is very troubling to local broadcasters who give air time, volunteer time and effort to serving the local community. In the first quarter alone, the Duluth radio group lost $102,000 in local broadcasting revenue from a local car dealer who transferred all of his local broadcast revenue to a digital provider based out of a large market 200 miles away.

- In Missoula, Montana, car dealerships are receiving dozens of calls daily from pure play digital companies including Google and Facebook, endemic digital media and services agencies, and specialty agencies for automotive and other competitive media agencies locally, all who are selling competing digital, programmatic, services to gain a larger share of spending. Some dealerships have internet managers in-house who are responsible for purchasing either directly from publishers or via the exchanges which effectively cut out agencies and media sellers.

- In Atlantic City, New Jersey, two local car dealers have shifted their budget for advertising from Townsquare to digital advertising companies. One Toyota dealer and long-time client will only spend $5,000 this year, down from $62,000 in 2017. Another client, a Volkswagen dealer, will spent zero on radio advertising this year, down from $69,000 in 2017.

- In Trenton, New Jersey, one sales representative said many auto dealers in Mercer County moved completely from radio to digital advertising, representing a loss of $25,000 to $75,000 per year.

- In Albany, New York, one large medical services provider has decreased its annual Townsquare spending from $150,000 to less than $20,000, after shifting the business toward digital. One real estate client has shifted its $60,000 spending on radio to digital advertising. A local retail mall traditionally spent $80,000 annually on two radio clusters. That budget is now $3,500 per year.

- In Buffalo, New York, a local college spent $131,000 with our group in 2017. By 2018, that spending was reduced to $66,000 as they to digital advertising. In 2019, the college's entire budget is allocated for digital spending.

- In Utica, New York, one of the largest auto dealers in the area has stated that advertising vendors vying for their dollars have increased ten-fold over the last several years. Today, the dealer does business with 10 to 15 digital providers, and turns down 20 to 30 additional digital companies, who are all competing for a piece of their budget. Previously, the dealer only worked with traditional media companies including radio.

- In El Paso, Texas, one auto dealer moved their buying from a local agency to an agency in Seattle, which moved $12,500 per month from radio to Pandora. In two years, $300,000 has left the local radio market from a single auto account.

Stronger Localism. Townsquare's guiding strategy is "live and local." Our stations, on-air talent, and local digital editors are all focused on local events, issues, and content. Over the past year, we have significantly added to our local staffing. If the Federal Communications Commission lessened the current restrictions, Townsquare would have new additional capability to acquire stations in our markets. Our guiding strategy would be employed to each acquired station, resulting in greater reach of our local-focused content.

Greater Diversity. If we were to acquire additional stations in existing markets that had formats that we were already covering in the market, we would likely change the format of one of the stations to a different format. For example, if we had a country format station in a market and acquired a new country format station in that market, we would likely change one station to a new and diverse format such as alternative or hip-hop, thereby increasing the diversity of programming in the market.

Below we provide specific examples of how ownership deregulation would promote the public interest in many of our markets.

- In Cedar Rapids, Iowa, Townsquare could buy some or all of another large broadcasters stations in the market and promote them with the ultra-successful and proven local programming and information strategies we have used over the last decade to grow our audience and make them financially viable. Currently, one competitor owns five radio stations in the Cedar Rapids market, yet has nearly half of the audience of Townsquare and nearly the same amount of audience an independently-owned standalone in the market.

- In Lafayette, Louisiana, more than 400 nonprofit organizations approach our stations each year asking for free advertising. We usually help more than 200 of these nonprofits. If we had more stations with different formats, we could help even more of them.

- In Presque Isle, Maine, there is a competing operator that airs the same content on three different signals. The content provided to the local communities is rarely local and almost never relevant. Instead, listeners hearing news, public service announcements, and advertising from outside of their home metro areas. On the contrary, Townsquare's localism efforts often align with our brands. Our contemporary hit radio station WBZN Z107.3 hosts a turkey drive each year collecting turkeys for families in need, and the staff stays in a parking lot until the collection goal is met, often three to four days. Our country station Q106.5 has collected nearly $1 million for the Pine Tree Camp for children and adults with disabilities. More formats allow for more specific charitable opportunities. These community-focused public service campaigns would be broadened in our local market with additional stations part of our cluster.

- In New Bedford, Massachusetts, our stations have been very successful in expanding their reach within the community using internet-based websites. WBSM-AM, our news-talk station, expanded news coverage to its website and has helped get local news out to over 75,000 additional people per month, with on-air listenership of approximately 20,000 per month, and online visits of approximately 95,000 per month. Using this reach, our stations are promoting good for the community. Our stations ran a very successful campaign titled "Food for Tots" in 2018 that raised over $80,000 for Southcoast Health's pediatrics program. Our stations also ran a program titled "Holiday Wish" where we raised $30,000 to grant wishes to area families in need. If we had broader reach in the market, we could raise even more funding for these programs and others.

- In Trenton, New Jersey, Townsquare stations have worked closely with the community to promote Freedom Festival, which is scheduled in Mercer County, New Jersey for the Saturday before July 4th each year. Having more stations involved each year would enable this event to become even more festive for a larger part of the community.

- In Poughkeepsie, New York, we would continue to promote a number of community service campaigns that would greatly benefit from having a larger group of stations to market through. For example, we could do more for events and organizations including, Shop with a Cop; Prom it Forward for Jr. League of Poughkeepsie; Jam the Van for Food Bank of the HV; Battle of the Stands for Alex's Lemonade Stand; Pet Costume Contest for Pets Alive in Middletown; Gift Card Drive for Children's Home of Poughkeepsie; and Bike for Cancer for American Cancer Society.

- In Casper, Wyoming, Townsquare's competitors are running on limited funding and extremely small staffs, with no local news efforts and limited service to the public. Townsquare's news division reaches hundreds of thousands across Wyoming and beyond, with daily content and breaking news information. For example, one competing local cluster operates five stations with no local talent and 100 percent syndication. Our closest competitor has local programming only in one daypart across their three stations. Another broadcaster operates three stations with no local dayparts. Acquisitions would provide these brands with news and localism resources not currently attainable in their business model. Format diversity would also better serve the listening audience.

- In El Paso, Texas, our stations, such as KSII, have hosted weekly campaigns for a cause. Those campaigns include efforts to deliver Easter Baskets and school supplies to sick or needy children, as well as to promote Breast Cancer Awareness, and assist other health and human services organizations. Our local in house campaign, Million Koins for Kids, has donated hundreds of thousands of dollars and airtime to local children's charities throughout El Paso. If we had more stations, we could do much more to assist other charities across the areas. For instance, it would be an advantage to the community if we could purchase the stations owned by one competing radio group in the area which has four signals. One signal is local but the others have almost no local news or information.

- In Utica, New York, our news talk station launched the first ever American Heart Association "Heart Run and Walk" nearly fifty years ago. Today, this is one of the largest community fundraisers in our area, helping to raise approximately $1,000,000 each year, along with other community partners and broadcasters, to benefit the American Heart Association. Furthermore, our country station has received recognition from the county's Office of Aging for breaking the record of holiday gift donations for our area's senior citizen population. With additional stations and resources, we would be able to expand these efforts and help more individuals in our community.

Additional scale will also allow Townsquare to compete more effectively against new digital competitors. If we were able to own more stations in our markets, we would be able to offer more diverse formats with more local content, giving listeners more reason to continue to listen to local radio. We would also have the scale to offer even more digital advertising opportunities for local advertisers than we do at the present time. Townsquare is already one of the most successful radio companies in bringing in digital dollars. With additional resources in our markets, we could expand our product offerings to recapture some of the dollars that now go to these new competitors.

Townsquare is ready and willing to continue serving the home communities of each of its stations. The Federal Communications Commission should act quickly to revisit its local radio ownership rules as quickly as possible. Doing so is fair in light of the evolving marketplace, as described above, and will significantly benefit the public interest.

Erik Hellum
Chief Operating Officer – Local Media
Townsquare Media